

Nikko AM Wholesale Concentrated Equity Fund

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM NZ).

In New Zealand we actively manage around NZ\$5 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms.

We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Fund launch

December 2007

Investment objective

To construct a portfolio of authorised investments that aims to outperform the Fund's benchmark return over a rolling three year period before fees.

Benchmark

RBNZ Official Cash Rate plus 5% per annum

Investment process

The Fund is a collection of Nikko AM NZ's domestic equity managers' highest conviction investment ideas to achieve capital appreciation.

The Fund's equity investments are not constrained by size, style, sector or index composition. That is, the Fund includes New Zealand and Australian equities:

- of all sizes: large, medium and emerging equities;
- with a blend of growth and value style investments;
- not overly focused on any specific sector; and
- that are not influenced by any index composition.

Structure and taxation

The Fund vehicle is a NZ domiciled Portfolio Investment Entity (PIE) which is priced daily. Investors elect their own Prescribed Investor Rate. The Fund invests directly into tradeable capital market securities. Whilst the majority of the return is "excluded income" there will be a portion of interest income, dividends not fully imputed, and certain ASX listed shares that will not fit the criteria for trading gains/losses to be excluded. Information is provided to the IR and investors on an annual basis.

Distributions

Generally on calendar quarters, or at any date for any period determined by the Manager.

Currency management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.

Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund. All Fund statutory and operating costs will be met directly by the Manager.

Performance fee

Negotiated separately with each investor and invoiced outside the Fund.

Buy/sell spread

0.35% / 0.35%

Trustee

Public Trust

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

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Performance (NZD gross returns)

	Fund	Bmark	Excess	NZX50	ASX200 A\$
1 mth	1.22%	0.54%	0.68%	2.53%	1.03%
3 mths	11.40%	1.61%	9.79%	5.14%	6.74%
6 mths	12.18%	3.30%	8.88%	6.65%	13.84%
1 year	12.48%	6.95%	5.53%	9.54%	17.77%
2 yrs(pa)	16.69%	7.38%	9.31%	14.33%	5.81%
3 yrs(pa)	18.25%	7.72%	10.52%	13.60%	7.27%
5 yrs (pa)	19.16%	7.64%	11.52%	17.21%	11.01%
10 yrs pa)	10.88%	8.53%	2.34%	7.29%	4.13%

Fund size

NZ\$93 million

Contribution to performance (absolute)

What helped	What hurt
Aristocrat Leisure	Metlifecare
A2 Milk	EROAD Ltd
Aconex	Comvita Ltd

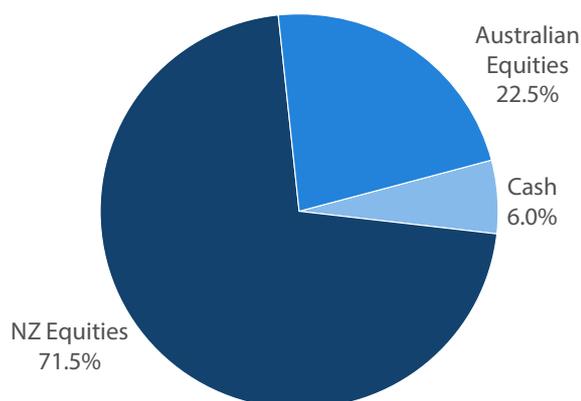
Top 5 holdings

Security	Sector
Metlifecare	Healthcare
Contact Energy	Utilities
Infratil Limited	Utilities
Property Link Group	Real estate
Fisher & Paykel Healthcare	Healthcare
Number of holdings	17

Hedging

Australian listed stocks are unhedged at the date of this Fact Sheet.

Asset allocation



Compliance

The Fund complied with its investment mandate during the month.

Commentary

Despite continued concerns and tension around North Korea and the threat of US strikes, globally equity markets continued their strong year with the MSCI World index up 1.3% for the month. The broader New Zealand market (the S&P/NZX 50 index) was up 2.5%. This compared with the Australian market, as measured by the S&P/ASX 200 index, which was up 1.0%.

The fund lagged the NZ equity market for the month, however on a year-to-date basis the fund is significantly ahead of the NZX 50. Year-to-date the fund is up 10.69% compared to the S&P/NZX 50 index which is up 7.74%. Positive contributors to the performance for April included **Aristocrat Leisure** (ALL) which rose +9.0% over the months, **A2 Milk** (ATM) +13.0% and **Aconex** (ACX) +11.4%. ATM was the best performing stock in the fund for the month and also year to date (+58.7%) after continued traction of export sales of infant formula, leading to a good half year result and a further post result upgrade, and an easing of Chinese regulatory hurdles.

On the downside the fund's position in **Metlifecare** (MET) cost absolute performance after major shareholder, Infratil (IFT), sold down their stake from 19.9% to nil at an 8% discount to market. This saw the stock down 5.2% for the month. The manager used this opportunity to increase their position in the name. The fund ended the month with 17 stocks, high by relative standards, but two stocks had been identified for disposal at month end. Cash within the fund at the end of April was 9.7%.

The manager added one new stock to the fund over the month being Metro **Performance Glass** (MPG). Having owned the stock previously in the fund and successfully selling out the last stock over \$2.17 the manager saw fit to re-invest back since the name had fallen toward \$1.28, again offering valuation support. The stock had sold-off given poor results recently, showing little operating leverage which concerned the market in spite of the good level of demand from customers. Recent offshore selling had been aggressive providing the opportunity. By month-end the stock had rebounded and closed at \$1.38.

Currencies remained volatile and saw the NZD fall 0.15% against the AUD but fall a more solid 2.0% against the USD. The mild fall in the NZD against the AUD provided some assistance to portfolio returns as fund exposures to AUD are currently unhedged.

(**Bold** denotes stock held in portfolio)