

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.

Chapman Tripp – Fund Manager of the Year – Equities



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Performance (NZD gross returns)

	Fund	Bmark	Excess	NZX50	ASX200 A\$
1 mth	2.89%	0.56%	2.33%	1.10%	-0.01%
3 mths	3.81%	1.66%	2.15%	4.44%	-2.59%
6 mths	15.64%	3.29%	12.35%	9.81%	3.97%
1 year	8.35%	6.83%	1.52%	6.03%	7.33%
2 yrs(pa)	14.01%	7.18%	6.83%	15.40%	4.82%
3 yrs(pa)	18.68%	7.61%	11.08%	15.69%	5.11%
5 yrs (pa)	20.07%	7.60%	12.47%	18.28%	10.88%
10 yrs pa)	11.13%	8.38%	2.75%	7.68%	3.83%

Fund size

NZ\$96.7 million

Contribution to performance (absolute)

What helped	What hurt
EROAD	Aristocrat Leisure
Metro Performance Glass	Pacific Edge
Metlifecare	Fletcher Building

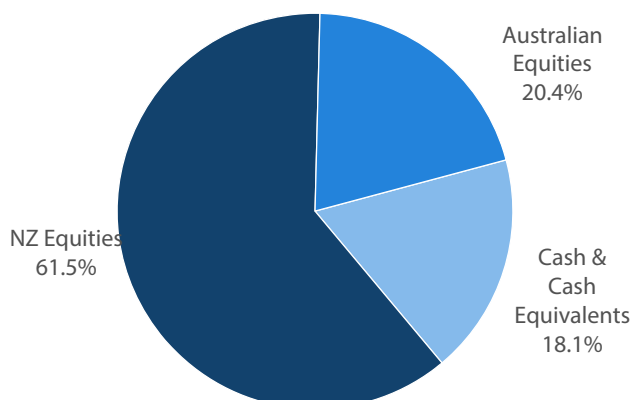
Top 5 holdings

Security	Sector
Metlifecare	Healthcare
Infratil Limited	Utilities
Contact Energy Ltd	Utilities
Property Link Group	Real estate
NZ Refining Coy	Energy
Number of holdings	14

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

Global equity markets continued their strong run with the MSCI World index up 1.8%. However, July saw mixed regional performance with Europe flat, the US up (S&P 500 index) up 1.9%, and Asia/EM experiencing strong outperformance. The US market was aided by dovish comments from the Federal Reserve Governor which also led to a depreciation of the USD vs the NZD and AUD. The NZ market, as measured by the S&P/NZX 50 index, was up 1.1% while the Australian market, based on the S&P/ASX 200 index, was flat for the month. Equities continue to find support through a combination of synchronised global growth in earnings, a continued economic recovery and continued accommodative monetary policy conditions in many jurisdictions.

The portfolio had a strong month of performance with the fund up +2.89% against the NZX 50 performance of +1.1% (gross of fees and taxes). Strong performances from **EROAD** (ERD) +32.5% and **Metro Performance Glass** (MPG) +16.1% added solid value add while two of the larger fund positions **Metlifecare** (MET) and **Infratil** (IFT) produced credible returns of +4.1% and 3.9% respectively. On the downside **Aristocrat Leisure** (ALL) fell 9% on the strength of the AUD against the USD.

The manager sold the fund's position in **Fletcher Building** (FBU) over the month. Following a further write-down announcement the stock performed solidly over the month, +5.7% over July. The fund ended the month with thirteen stocks. Cash within the fund at the end of July was 17.8%.

Currencies remained volatile and saw the NZD falling 1.65% against the AUD and gaining +2.2% against the USD. The fall in the NZD against the AUD provided a small positive add to portfolio returns as fund exposures to AUD are currently unhedged.