

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*
1 mth	4.13%	0.56%	3.57%	1.68%	0.71%
3 mths	8.80%	1.66%	7.14%	5.57%	0.87%
6 mths	14.35%	3.35%	11.00%	9.78%	2.40%
1 year	16.15%	6.80%	9.35%	7.08%	9.79%
2 yrs(pa)	17.35%	7.13%	10.22%	19.05%	9.55%
3 yrs(pa)	20.48%	7.56%	12.92%	15.92%	5.13%
5 yrs (pa)	20.10%	7.59%	12.51%	17.86%	10.56%
10 yrs pa)	11.50%	8.32%	3.18%	8.07%	3.65%

*AUD

Fund size

NZ\$99.9 million

Contribution to performance (absolute)

What helped	What hurt
A2 Milk Company	Metro Performance Glass
Metlifecare	Japara Healthcare
Contact Energy	Restaurant Brands

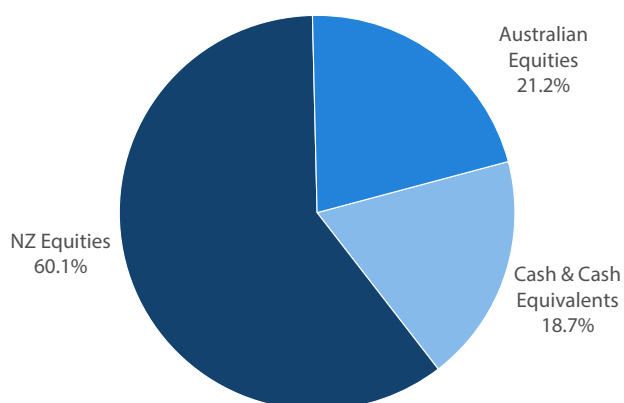
Top 5 holdings

Security	Sector
Metlifecare	Healthcare
Infratil Limited	Utilities
Aristocrat Leisure	Consumer Discretionary
Contact Energy	Energy
Propertylink Group	Real Estate
Number of holdings	13

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

August saw a number of events moving markets in different ways with reporting season, stock specific outcomes and a number of geo-political events including North Korean missile launches resulting in a global move for some 'risk off' and Hurricane Harvey being more localised in the US. Closer to home as the election looms, the Labour party has had a dramatic turnaround in popularity post their change in leadership while the Greens appears to have been the major loser partly their own making. The NZ share market for the month of August, as measured by the S&P/NZX 50 index, rose an impressive +1.7% well ahead of the Australian S&P/ASX 200 index which was up 0.7% for the month. Other global market performances included the US S&P 500 up only 0.05%, Nikkei -1.4% and the UK FTSE +0.8%.

The fund performed well over the month of August with a gross total return of 4.13%. Exceptional performances came from a number of holdings creating the value add. This included the fund's largest position, **Metlifecare** (MET), rising +9.1% on a solid result and decent lift in its NTA per share. Additionally, Australian listed Software as a Service company Aconex (ACX) rose +21.2% for the month contributing strongly before being sold from the fund completely. **Property Link** (PLG) and **A2 Milk** (ATM) also added strongly to performance with the stocks rising +8.4% and +25.8% respectively. Two stocks that were owned over the month disappointed including Metro Performance Glass (MPG) and Japara (JHC) both of which held back fund performance on poor results and lower than expected market outlooks. Overall however, earnings season aided the fund and the manager and fund avoided owning a number of NZX index member positions that disappointed including TradeMe (TME) -15%, Chorus (CNU) -10% and Sky Television (SKT) -14% over the month.

With the sale of Aconex, the fund's cash weight built to a 12 month high of 18.7%. The fund ended the month with twelve stocks. Some level of conservatism was being undertaken as market valuations appeared stretched on average with many global markets hitting all-time highs and risks both globally and locally being largely ignored. Currencies remained volatile and saw the New Zealand dollar (NZD) falling 3.85% against the Australian dollar (AUD) and 4.47% against the US dollar (USD). The fall in the NZD against the AUD provided a positive add to portfolio returns as fund exposures to AUD are unhedged currently.

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