

# Nikko AM Concentrated Equity Strategy

Monthly Update 31 July 2025

Assets are held in the Nikko AM Wholesale Concentrated Equity Fund. The Nikko AM Concentrated Equity Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Global equity markets moved higher over the month assisted by US companies reporting earnings and a number of trade deals finalised by the US ahead of the 1 August tariff implementation date.
- The United States S&P 500 index rose 2.2%, the Japanese Nikkei 225 increased 1.4%, the UK FTSE 100 index added 4.2%, the Australian ASX 200 index gained 2.4% and the MSCI World index ended the month up 2.2% (in local terms).
- The S&P/NZX 50 index ended the month up 1.8%.

## Fund Highlights

- The fund ended the month up 2.5%, ahead of benchmark.
- News flow was relatively light during the month as we await results in August for the period ended June.
- Both Summerset and Ryman announced better than expected sales numbers for the June quarter.
- Sky Network Television announced the acquisition of Discovery NZ, the owner of Three and ThreeNow.
- Contact Energy completed the acquisition of Manawa Energy.
- The fund's positions in Infratil, Aristocrat Leisure and Ryman Healthcare added value while positions in Mainfreight, Meridian Energy and Ingenia Communities detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	2.50%	9.49%	1.33%	4.74%	4.29%	9.07%
<b>Benchmark<sup>2</sup></b>	0.68%	2.04%	9.17%	9.67%	8.04%	7.37%
<b>Retail<sup>3</sup></b>	2.37%	9.08%	0.13%	3.52%	2.92%	7.27%
<b>S&amp;P/NZX50<sup>4</sup></b>	1.78%	7.83%	4.13%	4.56%	2.57%	9.03%

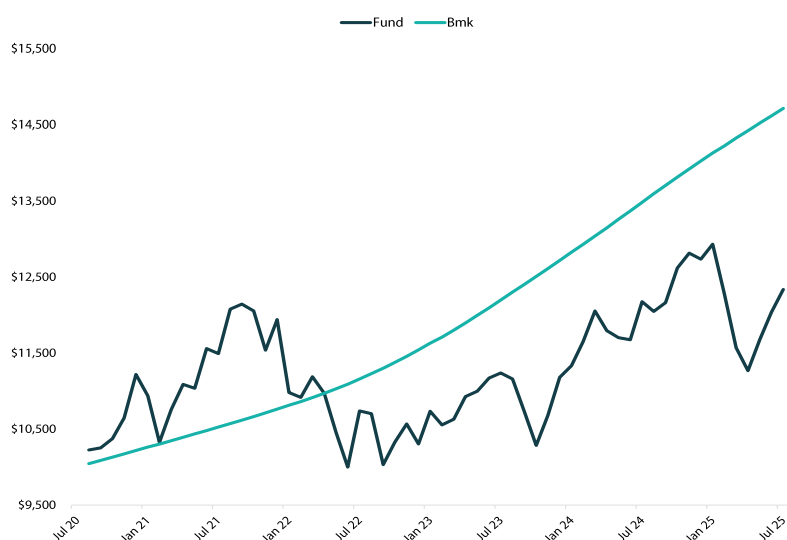
1. Returns are before tax and before the deduction of fees and including tax credits (if any).

2. Benchmark: RBNZ Official Cash Rate plus 5% per annum. No tax or fees.

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).

4. S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

## Five-Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>



## Portfolio Manager

**Michael Sherrock,  
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charterholder and holds a Bachelor of Commerce degree from the University of Auckland.

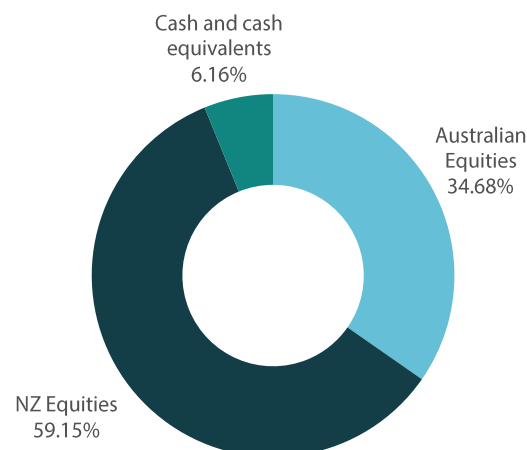
## Overview

The Concentrated Equity Fund is a collection of the portfolio manager's highest conviction investment ideas to achieve capital appreciation. The typical number of stocks in the portfolio is circa 15.

## Objective

The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

## Asset Allocation



Contribution To Performance*		Top 10 Holdings (% of fund)			
What Helped:	What Hurt:	Infratil	10.54	Worley	7.36
Infratil	Mainfreight	NextDC	10.03	Meridian Energy	6.44
Aristocrat Leisure	Meridian Energy	Spark NZ	8.53	Ingenia Communities	5.14
Ryman Healthcare	Ingenia Communities	Contact Energy	8.41	Ryman Healthcare	5.08
*Absolute contribution – not relative to S&P/NZX50 Index		Summerset	8.03	Waypoint REIT	5.08
Number of holdings					15

## Market Commentary

All key equity market indices around the world moved higher over the month. Markets have been helped by good results from companies in the US reporting their earnings. Markets tended to ignore the continued tariff noise during the month as minimum tariff rates appear to be moving to 15% from 10% but also a number of deals being finalised between the US and other countries. Central banks and rate decisions remain a focus for investors and politicians. Against market expectations, the Reserve Bank of Australia did not cut. The board was split six for holding and three for cutting. The board were united in their view on the direction of rates but not the timing of cuts. The US Federal Reserve also kept rates unchanged as did the Reserve Bank of New Zealand. The Federal Reserve Chair received strong criticism from President Trump for not cutting rates. It was a relatively quiet month for corporate news flow in New Zealand as companies prepare results to be released in August for the period ending June.

## Fund Commentary

The largest positive contributors to the fund's return were positions in **Infratil** (IFT), **Aristocrat Leisure** (ALL) and **Ryman Healthcare** (RYM). IFT rose 9.7% over the month, assisted by being added to the S&P/ASX 200 index along with an independent valuer's uplift in the value of its investment in CDC. ALL rose 7.5% (in AUD) on no specific news. RYM provided quarterly sales numbers along with contracts which were better than expected and also said that they expect sales to be towards the upper end of guidance. RYM ended the month up 11.6%.

The largest negative contributors to the fund's return were from **Mainfreight** (MFT), **Meridian Energy** (MEL) and **Ingenia Communities** (INA). MFT provided a disappointing first 17 weeks trading update at its Annual Shareholder Meeting with weak margins driving profit before tax down 24% compared to the same period last year. This led to MFT falling 10.2%. While MEL completed the acquisition of NZ Windfarms during the month, MEL stock price has continued to be impacted by weak operating numbers due to low hydro generation driven by low lake levels. MEL fell 3.4% over the month. INA was impacted by a ruling against Lifestyle Communities (LIC) and the deferred management that it charges. The ruling has no impact on INA but it was dragged lower as LIC fell 36.6% (in AUD) over the month. INA ended down 3.8% (in AUD).

Key portfolio changes during the month included adding to our positions in INA, RYM, **Spark** (SPK) and **Waypoint REIT** (WPR). Positions in ALL, **Contact Energy** (CEN), IFT, **ResMed** (RMD) and **Sky Network Television** (SKT) were reduced.

(**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

Estimated annual fund charges (incl. GST)		Hedging: Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%. Currently the fund's foreign currency exposure is unhedged.	Strategy Launch:	August 2006		
Wholesale:	Negotiated outside of the unit price.				Exclusions: Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	
Retail:	1.15%. refer PDS for more details.					
Distributions:						Restrictions: Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .
Wholesale:	Calendar quarter					
Retail:	March and September					
		Strategy size:	\$48.2m			
		Buy / Sell spread:	0.29%/0.29%			

## Compliance

The wholesale fund complied with its investment mandate and trust deed during the month.

## Contact Us

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