

# Nikko AM Concentrated Equity Strategy

Monthly Update 30 June 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 delivered strong returns over the quarter as certain US tariffs were paused, countries and companies continued to assess the impacts of the tariffs along with earnings results announcements for the period ending March.
- The United States S&P 500 index rose 10.6%, the Japanese Nikkei 225 increased 13.7%, the UK FTSE 100 index added 2.1%, the Australian ASX 200 index gained 9.5% and the MSCI World index ended the quarter up 9.4% (in local terms).
- The S&P/NZX 50 index ended the quarter up 2.8%.

## Fund Highlights

- The fund ended the quarter up 4.0% ahead of benchmark.
- Earnings guidance updates and company results for the period ended 31 March dominated news flow and share price performance.
- The fund's positions in NextDC, Spark and Sky Network Television added value while positions in SkyCity Entertainment, Worley and Ryman Healthcare 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>	3.08%	4.04%	3.10%	6.37%	4.63%	9.33%
<b>Benchmark<sup>2</sup></b>	0.65%	2.04%	9.36%	9.65%	7.98%	7.37%
<b>Retail<sup>3</sup></b>	2.94%	3.76%	2.03%	5.18%	3.18%	7.50%
<b>S&amp;P/NZX50<sup>4</sup></b>	1.54%	2.79%	8.35%	5.91%	2.71%	9.20%

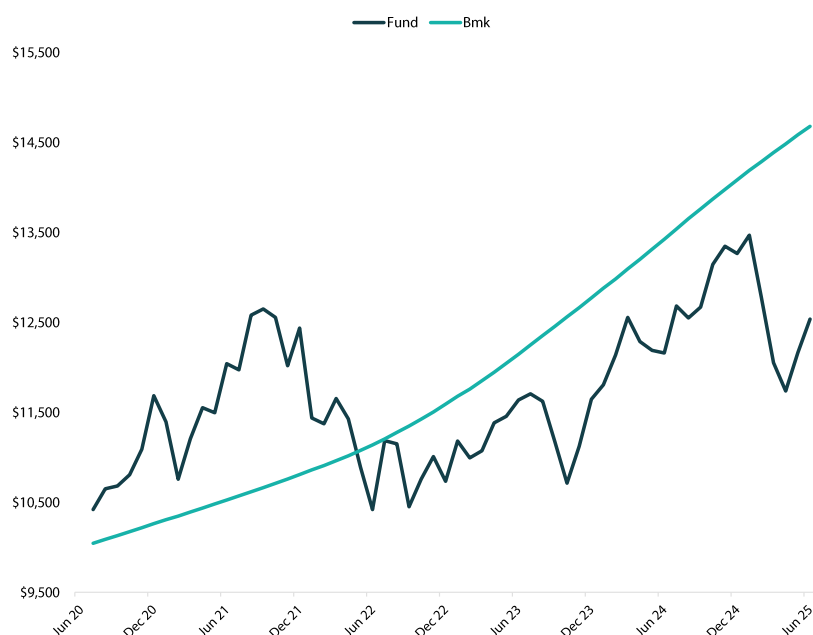
1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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.

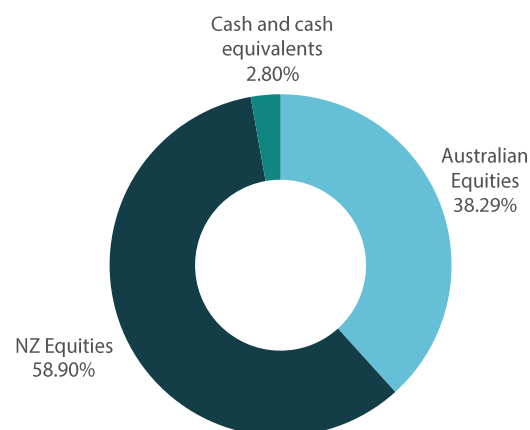
## Overview

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)			
<b>What Helped:</b>	<b>What Hurt:</b>	NextDC	10.05	Worley	7.23
NextDC	Ryman Healthcare	Infratil	9.88	Meridian Energy	6.75
Spark NZ	Worley	Contact Energy	8.71	Aristocrat Leisure	6.14
Sky Network Television	SkyCity Entertainment	Spark NZ	8.52	Mainfreight	5.85
*Absolute contribution – not relative to S&P/NZX50 Index		Summerset	8.00	Ingenia Communities	5.17
<b>Number of holdings</b>					<b>15</b>

## Market Commentary

It was a volatile start to the quarter as companies and countries assessed how tariffs announced in early April by the United States would impact them. This was not an easy exercise given the constantly changing tariff rates faced by countries and sectors and how different countries were proposing or implementing counter tariffs. Markets also had to consider the impacts of the conflict in the Middle East which spread to direct conflict between Iran and Israel. This saw a spike in the oil price before reversing as a truce was announced after 12 days of trading blows. Despite these events, global equity markets rallied strongly over the quarter as investors took some confidence in markets following President Trump pausing certain tariffs albeit at this stage the President remains steadfast in his position. Companies reporting their earnings for the period ending March also played a major part in the performance of equity markets. Markets were also supported by Central Banks continuing to reduce interest rates. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's statement where they were more hawkish than expected and disclosed that one of the six voting members voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally good versus market expectations.

## Fund Commentary

The largest positive contributors to the fund's return were positions in **NextDC** (NXT), **Sky Network Television** (SKT) and **Spark** (SPK). NXT performed poorly in the March quarter with the market concerned around the demand outlook for data centres. This concern was somewhat alleviated during the June quarter after updates from several companies operating in the area indicated demand was still strong. This was further backed up by NXT who announced a material new data centre contract. NXT rose 28.2% (in AUD) over the quarter. SKT rose 21.5% over the quarter. While no specific announcements came, it seems increasingly likely that SKT will retain the NZ Rugby rights. Given the rights expire at the end of the year, the window for another bidder turning up is tight given the time required to get broadcasting production infrastructure in place. After a terrible March quarter for SPK, the last three months has seen a steady climb in its share price. While no specific news has been announced, speculation continues around the sale of its data centre assets. SPK ended the quarter up 18.5%.

The largest negative contributors to the fund's return were from **Ryman Healthcare** (RYM), **Worley** (WOR) and **SkyCity Entertainment** (SKC). Following its \$1b capital raise in February, RYM's share price continues to struggle. Investors were hopeful that RYM would provide a positive update on unit sales in its earnings result, unfortunately that wasn't delivered, further a larger than expected asset devaluation was delivered. This saw RYM fall 18.8% over the quarter. WOR, who provides engineering services for large projects, suffered as investors became nervous that tariffs and market volatility would lead to its customers delaying projects. WOR ended the period down 9.4% (in AUD). While not reporting a result during the quarter, SKC announced a downgrade to its earnings guidance as it continues to be impacted by the weak NZ economy and increased compliance costs. SKC fell 25.4% over the period.

Key portfolio changes during the quarter included adding to our positions in **Aristocrat Leisure** (ALL), **SPK**, **Infratil** (IFT), **Mainfreight** (MFT), **Meridian Energy** (MEL), **NXT**, **WOR** and **Summerset** (SUM). Positions in **Contact Energy** (CEN), **Ingenia Communities** (INA) and **Waypoint REIT** (WPR), and SKT were reduced. The funds position in Channel Infrastructure was divested. (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Hedging:</b>	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.	<b>Strategy Launch:</b>	August 2006
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Exclusions:</b>	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy size:</b>	\$47.6m
<b>Retail:</b>	1.15%, refer PDS for more details.	<b>Restrictions:</b>	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> .	<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions:</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				

## Compliance

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

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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