

# NIKKO AM CONCENTRATED EQUITY STRATEGY

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 were mostly positive over the month. Inflation has become front of mind with central banks. The Reserve Bank of New Zealand has become one of the first to increase rates with the official cash rate doubled during the month to 50bps. Bonds yields also increased significantly over the month.
- The United States S&P 500 index rose 6.9%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index increased 2.1%, the Australian ASX 200 index declined 0.1% and the MSCI World index ended the month up 5.0%.
- The S&P/NZX 50 index ended the month down 1.3%.

## Fund Highlights

- The fund ended the month down 0.74%.
- Z Energy, Infratil, Pushpay and EBOS all performed strongly over the month
- EROAD, Spark and Summerset all detracted from fund performance.
- Both Sydney Airport and Z Energy continued to move toward likely takeovers with the stocks holding relatively steady at recent highs.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-0.74%	4.88%	16.19%	14.96%	15.84%	16.55%
Benchmark <sup>2</sup>	0.45%	1.31%	5.27%	5.78%	6.17%	6.94%
Retail <sup>3</sup>	-0.97%	4.23%	13.98%	13.18%	13.76%	13.98%
NZSE50 <sup>4</sup>	-1.33%	4.26%	9.08%	15.23%	14.52%	15.93%

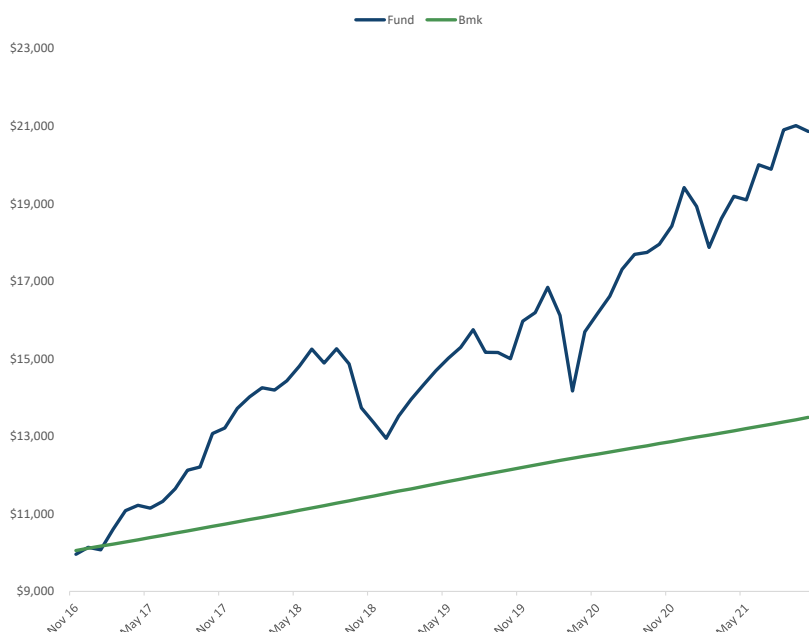
1. Returns are before tax and before the deduction of fees.

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

**Stuart Williams,**  
**Head of Equities**



Responsible for the Domestic Equities team and managing the Core and Concentrated Funds and associated mandates. Covers the Industrials, Healthcare and Financials sectors. Twenty years of experience in all aspects of the investment management industry with a strong track record in portfolio management of both benchmark relative and high conviction funds. Joined 2014.

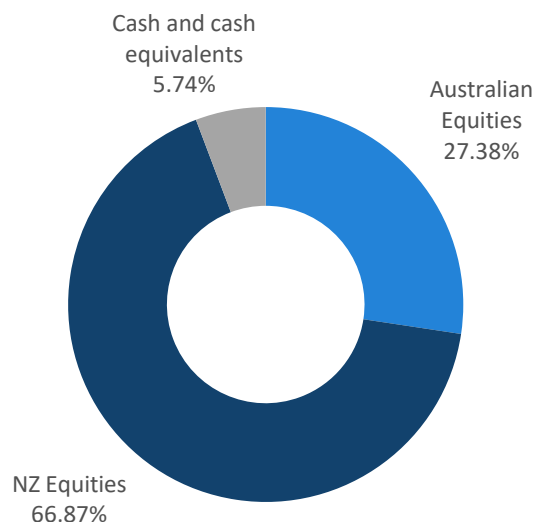
## Overview

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 (month)	
What Helped:	What Hurt:
Z Energy Ltd	EROAD Ltd
Infratil Ltd	Spark NZ Ltd
Pushpay Ltd	Summerset Ltd

Absolute contribution – not relative to S&P/NZX50 Index

Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	9.75%	Summerset Group Ltd	6.82%
Infratil Ltd	9.41%	Aristocrat Leisure Ltd	6.07%
Spark New Zealand Ltd	7.42%	Pushpay Ltd	5.52%
Contact Entergy Ltd	7.40%	EBOS Ltd	5.46%
Z Energy Ltd	7.02%	Ingenia Group	5.06%
<b>Number of holdings</b>			<b>16</b>

## Market Commentary

Global equity markets were mostly positive over the month. Inflation has become front of mind with central banks signalling the prospect of earlier than previously expected increases in official cash rates. The Reserve Bank of New Zealand has become one of the first to increase rates with the official cash rate doubled during the month to 50bps. Bond yields also increased significantly over the month with the New Zealand 10-year rising from 2.09% to end the month at 2.64% and the Australian 10-year ending October at 2.09% from 1.49% at the end of September. At this stage the yield movement hasn't materially been reflected in equity markets and we will continue to adjust portfolio positions to account for the move up in rates.

## Fund Commentary

The fund ended the month down by 0.74% but ahead of the broad NZ market which fell 1.33%. The largest positive contributors to relative return were positions in **Z Energy** (ZEL) and **Infratil** (IFT). ZEL rose 5.3% on the back of their Board endorsing a revised bid from Ampol. IFT added 4.0% following announcing two investments, one in radiology and another in a United Kingdom based data centre business. Both Pushpay Holdings (PPH) and **EBOS Group** (EBO) performed positively for the month.

**EROAD** (ERD) fell 8.0% over the month following a modestly disappointing trading update while **Spark** New Zealand (SPK) pulled back (down 4.5%) as interest rates rose eroding the attractiveness of the yield for some investors. **Summerset** Group (SUM) down 4.5% partly suffered as a funding stock for the ARV capital raising while investors also weighed up the impact from increasing mortgage rates and the introduction of loan to income limits by some banks on residential property prices.

No material changes were made to the portfolio during the month.

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

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>	<b>Strategy size</b>
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$130.6m
Retail fund: March and September	Retail: 1.15%, refer PDS for more details	
<b>Hedging</b>	<b>Buy / Sell spread: 0.29% / 0.29%</b>	<b>Strategy Launch</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>Performance fee</b>	August 2006
	10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.	

## Compliance

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

## Contact Us

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