

Factsheet 31 January 2022

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 sold off aggressively over January as inflation prints continue to be high, increasing the likelihood of Central Banks raising cash rates.
- The United States S&P 500 index fell 5.3%, the Japanese Nikkei 225 index lost 6.2%, the UK FTSE 100 index gained 1.1%, the Australian ASX 200 index declined 6.4% and the MSCI World index ended the month down 6.1%.
- The S&P/NZX 50 index was one of the worst performing markets and ended the month down 8.8%.

Fund Highlights

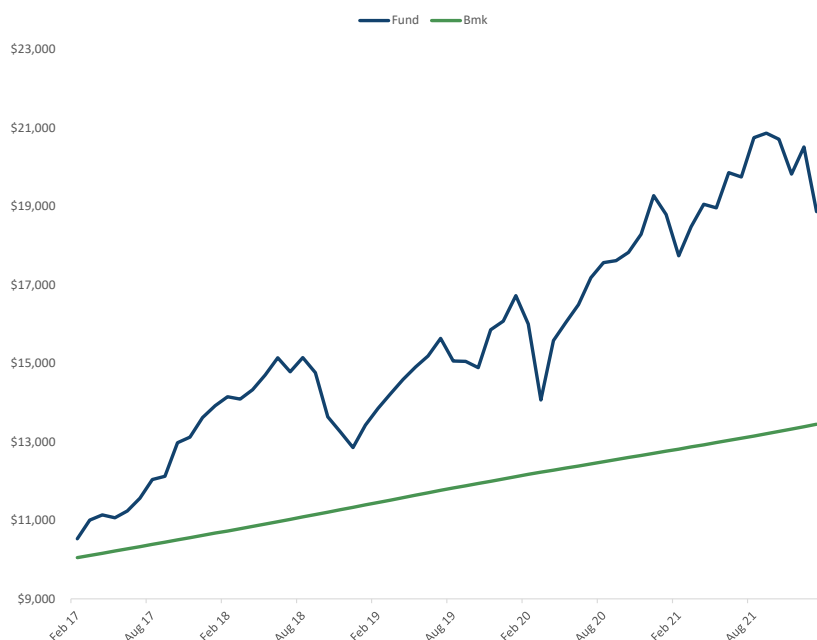
- The fund ended the month down 8.0%.
- There was little stock specific news relating to the fund.
- During the month the selloff in the fund's holding was very broad with all portfolio names falling in value.
- Fund positions in Z Energy, Waypoint REIT and Contact Energy were the best performers, although still negative in absolute terms. Pushpay, NextDC and Fisher & Paykel were particularly weak.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-8.04%	-8.91%	0.38%	12.01%	13.54%	15.44%
Benchmark ²	0.48%	1.40%	5.38%	5.69%	6.11%	6.89%
Retail ³	-8.12%	-9.22%	-1.24%	10.24%	11.48%	12.88%
NZSE50 ⁴	-8.78%	-9.15%	-8.84%	10.58%	12.02%	14.94%

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 ^{1,2}



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.

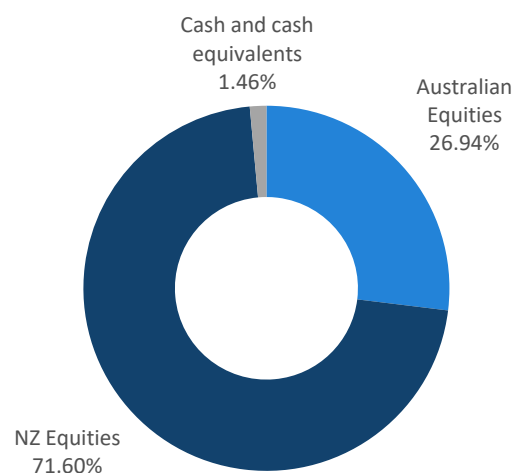
Overview

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 (quarter)	
What Helped:	What Hurt:
Z Energy Ltd	Fisher & Paykel Healthcare
Waypoint Reit	NEXTDC Ltd
Contact Energy	Pushpay Ltd

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

Top 10 Holdings (as at quarter end)			
Fisher & Paykel Healthcare	11.99%	Ingenia Group	6.93%
Infratil Limited	9.88%	Z Energy Ltd	6.66%
Spark New Zealand Ltd	8.99%	Aristocrat Leisure Ltd	6.58%
Contact Energy Limited	8.69%	EBOS Limited	6.43%
Summerset Group	7.03%	Waypoint Reit	5.16%
Number of holdings			15

Market Commentary

Global equity markets sold off aggressively over January as inflation prints continue to be high, increasing the likelihood of Central Banks raising cash rates earlier than initially expected. The rapid spread of the Omicron COVID-19 variant has also had an impact on markets albeit countries are at differing stages of the spread. Restrictions were placed on New Zealanders, moving to the red light setting of our response framework. In addition, tensions between Russia and the West around Ukraine escalated.

Fund Commentary

The fund ended the month down by 8.0% but slightly ahead of the broader NZ market which fell 8.8%. While all stock fell as the NZ market and the rest of world’s markets retreated, **Z Energy (ZEL)** held steady, supported by the Ampol takeover offer.

Pushpay Holdings (PPH), **NEXTDC (NXT)** and **Fisher & Paykel Healthcare (FPH)** fell circa 18%, 16% 15% respectively. PPH dropped after a disappointing result and downgrading its earnings guidance last quarter and amid the ongoing global tech sell-off. In addition, concerns about unique customer additions and transaction volumes together with cost escalations remain to the forefront of investors’ minds. NXT came under pressure falling over the month as part of the tech sell-off and in spite of an ever-improved outlook for their capacity. FPH fell as investors worldwide consider life after COVID and despite record ICU cases in US hospitals. During the quarter we added to the position in FPH only as the price fell back to compelling support level.

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

Key Fund Facts

Distributions Wholesale fund: Calendar quarter Retail fund: March and September	Estimated annual fund charges (incl. GST) Wholesale: negotiated outside of fund Retail: 1.15%, refer PDS for more details	Strategy size \$106.5m
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.	Buy / Sell spread: 0.29% / 0.29%	Strategy Launch August 2006
Performance fee 10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.		
Exclusions Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.		
Restrictions Tobacco stocks, ‘controversial weapons’, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website https://www.nikkoam.co.nz/invest/retail .		

Compliance

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

Contact Us

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