

Factsheet 30 November 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 had a strong month on the back of lower-than-expected inflation in the United States and the prospect of smaller-than-expected increases in the Federal Reserve Funds Rate.
- The United States S&P 500 index rose 5.4%, the Japanese Nikkei 225 index added 1.4%, the UK FTSE 100 index gained 6.7%, the Australian ASX 200 index increased 6.6% and the MSCI World index ended the month up 6.3%
- The S&P/NZX 50 index ended the month up 1.9%.
- Volatility was evident throughout all investment markets.

Fund Highlights

- The fund ended the month up 2.3% and well ahead of the index return and the wider share market.
- A number of the fund's holdings reported earnings for the period ended September.
- Positions in Fisher & Paykel Healthcare, EBOS, NextDC and Ramsay Healthcare performed well.
- Aristocrat Leisure, Mainfreight and SkyCity Entertainment Group performed poorly and detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.33%	-1.26%	-8.40%	4.62%	6.72%	13.14%
Benchmark ²	0.69%	2.02%	6.94%	5.90%	6.18%	6.87%
Retail ³	2.22%	-1.57%	-9.38%	3.07%	5.16%	10.74%
S&P/NZX 50 ⁴	1.92%	-0.08%	-8.42%	1.38%	8.00%	12.20%

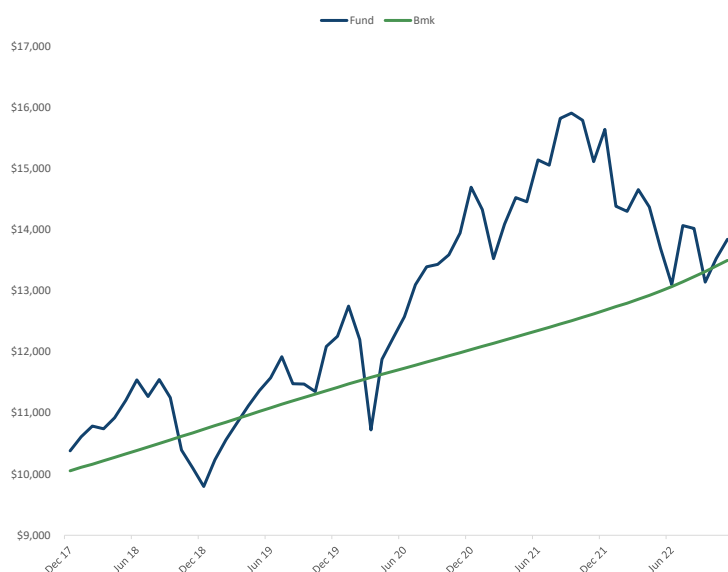
1. Returns are before tax and before the deduction of fees.

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.

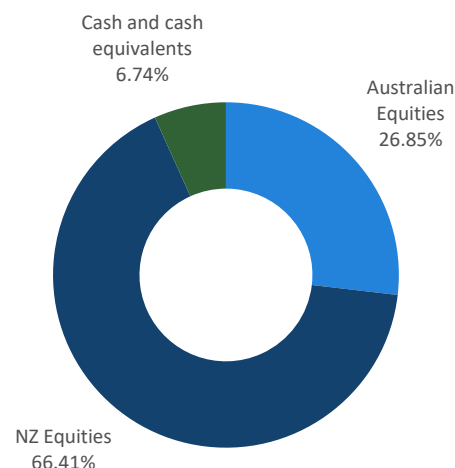
Overview

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 (month)	
What Helped:	What Hurt:
Fisher & Paykel Healthcare	Aristocrat Leisure
EBOS Group Ltd	Mainfreight Ltd
NextDC Ltd	SkyCity Entertainment

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

Top 10 Holdings			
Spark New Zealand Ltd	10.89	Ingenia Communities	6.18
Infratil Limited	10.87	Mainfreight Limited	5.83
Contact Energy Limited	9.30	NEXTDEC Ltd	5.79
Aristocrat Leisure Ltd	6.99	Fisher & Paykel	5.51
Pushpay Holdings Ltd	6.58	Waypoint REIT	5.00
Number of holdings			16

Market Commentary

Aside from the Chinese market, global equity markets were strong over the month although global equity markets are jumping at any sign that interest rates won't peak as high as initially expected. United States inflation came in at 7.7% which was below what the market was expecting. This led to the NASDAQ leaping more than 7% and the S&P 500 more than 5% on the day. Despite what markets are thinking, inflation remains high and central banks are focused on getting on top of it and as a result cash rates continue to be increased. The Reserve Bank of New Zealand is one of the most aggressive and raised rates another 75bps in the month taking the official cash rate to 4.25% and is signalling that it will peak at 5.5%.

Fund Commentary

The fund ended the month up 2.3% after a very volatile period. The largest positive contributors to monthly performance were positions Fisher & Paykel Healthcare (**FPH**), NextDC (**NXT**) and EBOS (**EBO**). FPH announced a stronger than expected result and rose 20.5% over the month and the market contemplated that covid related inventory surpluses were finally clearing. **NXT** returned 16.2% for the month following recent industry updates and the company's AGM where they re-affirmed guidance and commented on expected material new contracts. **EBO** benefited from inclusion into an MSCI index which saw buying drive the share price up 9.2%. Ramsay Healthcare (**RHC**) rallied 10% from recent lows on the AGM commentary for the company that noted 'expect gradual recovery in business throughout 2023'.

The largest negative contributors were **Aristocrat Leisure** (ALL), **Mainfreight** (MFT) and **Sky SkyCity Entertainment** (SKC). **ALL** fell 6.7% despite an excellent result with strong profit growth (~22% YoY) as the market chose to focus on the company's mobile-games unit performance. **MFT** fell 6% over the month despite excellent half-year performance being released to the market - the focus switched to air and ocean freight rates moderating in the future. **SKC** fell modestly on little material news flow.

Portfolio changes of note were limited to reducing the position in EBO as the stock rose strongly following its inclusion in the MSCI Small Companies index. Index inclusion meant that by some estimates more than 5 million shares had to be bought. Our fundamentally positive view remains unchanged.

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

Key Fund Facts

Distributions	Estimated annual fund charges (incl. GST)	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$76m
Retail fund: March and September	Retail: 1.15%, refer PDS for more details	
Hedging	Buy / Sell spread: 0.29% / 0.29%	Strategy Launch
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.	Performance fee	August 2006
	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.		
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

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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