

Factsheet 31 March 2023

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 quarter, aided by lower bond yields and shrugging off the concerns around the banking sector following the failure of Silicon Valley Bank.
- The United States S&P 500 index rose 7.0%, the Japanese Nikkei 225 index added 7.5%, the UK FTSE 100 index gained 2.4% the Australian ASX 200 index increased 2.5% and the MSCI World index ended the quarter up 7.0%.
- The S&P/NZX 50 index ended the quarter up 3.9%.

Fund Highlights

- The fund ended the quarter up 3.1%.
- A number of the fund's holdings reported earnings for the period ended December.
- Restaurant Brands was removed from the S&P/NZX 50 index while Channel Infrastructure was added.
- Ryman Healthcare raised \$902m to reduce debt.
- The takeover offer for Pushpay was voted down but a new offer has been tabled which appears as though it will be successful.
- Positions in Aristocrat Leisure, Fisher & Paykel Healthcare and NextDC contributed to performance.
- Positions in Ingenia Communities, EROAD and Ryman Healthcare detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.72%	3.16%	-4.98%	9.10%	5.33%	12.02%
Benchmark ²	0.79%	2.25%	8.12%	6.28%	6.35%	6.93%
Retail ³	0.62%	2.86%	-6.01%	7.33%	3.87%	9.75%
S&P/NZX 50 ⁴	0.21%	3.89%	-1.02%	7.41%	8.26%	11.52%

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. 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.

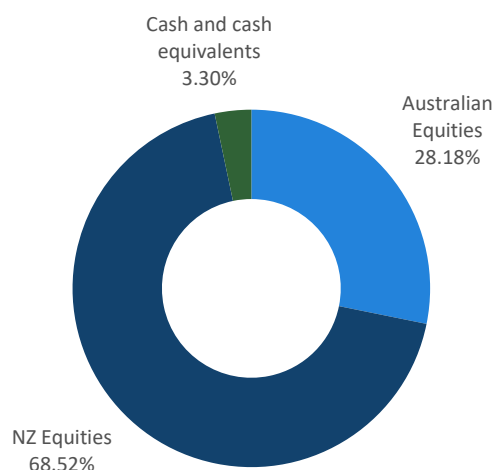
Overview

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:
Aristocrat Leisure Ltd	Ingenia Communities Group
Fisher & Paykel Healthcare	EROAD Ltd
NEXTDC Ltd	Ryman Healthcare

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

Top 10 Holdings (% of fund)			
Spark New Zealand Ltd	11.37	NEXTDEC Ltd	6.45
Contact Energy Limited	10.52	Aristocrat Leisure Ltd	6.09
Infratil Limited	10.40	Ingenia Communities Group	5.67
Fisher & Paykel Healthcare	10.04	Mainfreight Limited	4.87
Pushpay Holdings Ltd	9.41	Waypoint REIT	4.69
Number of holdings			17

Market Commentary

Global equity markets had a strong quarter, aided by lower bond yields, the reopening of China and shrugging off the concerns around the banking sector following the failure of Silicon Valley Bank. Key central banks lifted cash rates during the quarter as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. While the failure of Silicon Valley Bank sent ripples through the financial sector, the strong response from US regulators limited the impact. In results we have seen good revenue growth but offset by increased operating expenses and interest costs.

Fund Commentary

The fund ended the quarter up 3.1%. The largest positive contributors to performance over the quarter were positions in **Aristocrat Leisure** (ALL), **Fisher & Paykel Healthcare** (FPH) and **NextDC** (NXT). ALL rose 21.9% (in AUD), assisted by announcing an extension and increase in its share buyback. FPH announced revenue guidance that was better than the market was expecting, adding 17.9% over the quarter. NXT rose 15.0% (in AUD) after announcing a better-than-expected earnings result. The largest detractors to performance were positions in **Ingenia Communities** (INA), **Ryman Healthcare** (RYM) and **EROAD** (ERD). INA fell 14.6% (in AUD) after downgrading earnings guidance due to lower home deliveries in the period. RYM was added to the portfolio through its \$902m capital raising. RYM fell 12.5% through the fund’s holding period. ERD continues to struggle to get sales traction in the US market. ERD has announced a strategic review to identify partners to assist the Company in accelerating its North American strategy and ended the quarter down 34.0%.

Portfolio changes of note included adding to positions in **Pushpay** (PPH), **Allkem** (AKE), **Spark** (SPK) and **Contact Energy** (CEN). RYM and **A2 Milk** (ATM) were added to the fund during the quarter. Positions in **Mainfreight** (MFT), **Infratil** (IFT), ALL and **Waypoint REIT** (WPR) were reduced. The funds position in Fletcher Building (FBU) was divested. (**Bold** denotes stocks held in the portfolio).

Key Fund Facts		Estimated annual fund charges (incl. GST)	Strategy size
Distributions		Wholesale: negotiated outside of fund	\$71.3m
Wholesale fund:	Calendar quarter	Retail: 1.15%, refer PDS for more details	
Retail fund:	March and September		
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	Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).		
Restrictions	Tobacco stocks, , 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 quarter.

Contact Us

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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.