

FACTSHEET 31 MAY 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' performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market.
- The United States S&P 500 index rose 0.3%, the Japanese Nikkei 225 index jumped 7.0%, the UK FTSE 100 index fell 5.4% the Australian ASX 200 index lost 2.5% and the MSCI World index ended the month down 0.3%.
- The S&P/NZX 50 index ended the month down 1.7%.

Fund Highlights

- The fund ended the month up 0.6%.
- A number of the fund's holdings reported results for the period ended 31 March.
- The Pushpay takeover was concluded with its delisting from the NZX and payment received by the fund for its holding.
- NextDC completed a \$618m capital raise to fund new data centres while Allkem announced a merger agreement.
- Positions in NextDC, Infratil and Allkem contributed to performance
- Positions in Fisher & Paykel Healthcare, Ramsay Healthcare and SkyCity Entertainment detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.66%	4.21%	5.21%	5.62%	5.15%	12.59%
Benchmark ²	0.84%	2.45%	8.76%	6.55%	6.47%	6.97%
Retail ³	0.57%	3.93%	4.07%	3.96%	3.71%	10.29%
S&P/NZX 50 ⁴	-1.68%	-0.36%	5.36%	3.52%	7.26%	11.23%

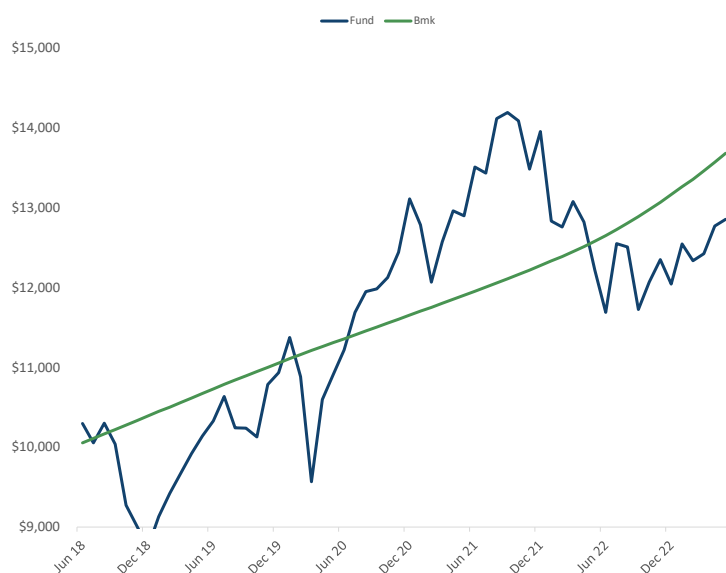
1. Returns are before tax and before the deduction of fees.

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 is Managing Director and Portfolio Manager at Nikko AM New Zealand, he joined in 2014. He has over 20 years' experience across all aspects of investment management. Stuart has extensive experience in



conducting detailed research and developing investment recommendations on listed companies in both New Zealand and Australia. He holds a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant.

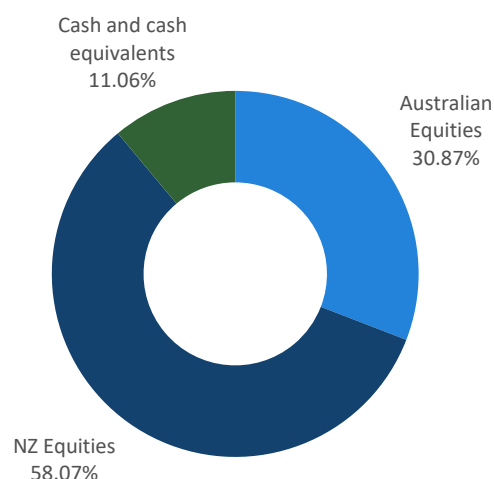
Overview

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:
NEXTDC	Fisher & Paykel Healthcare
Infratil	Ramsay Healthcare
Allkem	Sky City Entertainment

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

Top 10 Holdings (% of fund)			
Spark New Zealand	11.72	Aristocrat Leisure	6.20
Infratil	11.43	Ingenia Communities	5.00
Contact Energy	10.80	Waypoint REIT	4.94
NEXTDEC	9.04	Mainfreight Limited	4.88
Fisher & Paykel	8.86	Summerset Group	3.41
Number of holdings			16

Market Commentary

Global equity markets performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market. The New Zealand earnings results were generally in line with expectations with a couple of exceptions. Fisher & Paykel Healthcare disappointed the market with its outlook and given its large weight in the index it was a material contributor to the S&P / NZX 50 index's negative month. On monetary policy, most key central banks raised rates over the month with the US Federal Reserve, the European Central bank, the Bank of England, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates by 0.25%. Both the RBA and the RBNZ surprised the market with their moves with the RBA not expected to raise their rate while the RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate.

Fund Commentary

The largest positive contributors to performance over the month were positions in **NEXTDC** (NXT), **Infratil** (IFT) and **Allkem** (AKE). The fund's holding in NXT rose 14.1% (in AUD) following a \$618m capital raise to fund new data centres in Malaysia and Auckland along with the fit out of one of its data centres in Australia. IFT announced a good earnings result and outlook which saw the stock gain 6.5% over the period. AKE announced a merger agreement with Livent, a lithium miner and processor listed on the NYSE, the merger should deliver material synergies and diversification. AKE rose 21.2% (in AUD) over the month.

The largest detractors to performance were positions in **Fisher & Paykel Healthcare** (FPH), **Ramsay Healthcare** (RHC) and **SkyCity Entertainment** (SKC). FPH fell 16.0% after proving a result generally in line with expectations but with weaker guidance, in particular around margin. RHC's third quarter trading update was weaker than market expectations and as a result the stock fell 11.3% (in AUD). While SKC held a well-received investor day, this was overwhelmed by forced selling due to its removal from an index.

Portfolio changes over the month included the fund adding to its position in **A2 Milk** (ATM), AKE and NXT thought its capital raise. Positions in **Ryman Healthcare** (RYM) and **Ingenia Communities** (INA) were reduced. The fund's position in PushPay was removed through the completion of the takeover.

(**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
Retail fund:	March and September	Retail:	1.15%, refer PDS for more details
Hedging		Buy / Sell spread:	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.		0.29% / 0.29%	August 2006
Exclusions		Performance fee	
Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).		10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.	
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 month.

Contact Us

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