

Factsheet 31 July 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 month with all major markets seeing positive returns as data suggested inflation continues to ease around the globe.
- The United States S&P 500 index rose 3.1%, the Australian ASX 200 index lifted 2.9%, the UK FTSE 100 index rose 2.2%, and the MSCI World index ended the month 2.9% higher.
- The S&P/NZX 50 index delivered a positive 1.2% return, albeit underperforming the strong performances in offshore markets.

Fund Highlights

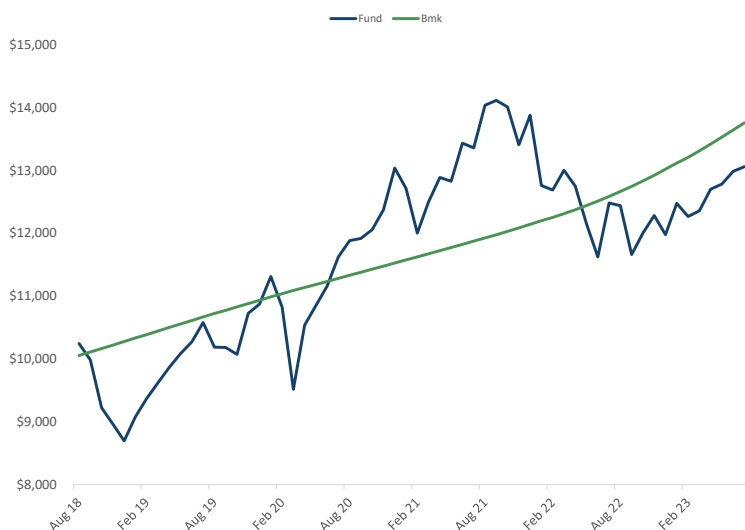
- The fund delivered 0.6% return over the month.
- July was relatively quiet ahead of the NZ and Australian earnings season in August, with ~60% of the New Zealand market to report results over the coming month.
- MFT provided a soft Q1 trading update with profit before tax down 43% year-on-year on weaker than expected performances from its Transport and Air & Ocean businesses.
- Positions in Contact Energy, Summerset Group, and Spark added value, while positions in Allkem, Infratil, and Mainfreight detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.59%	2.84%	4.65%	3.96%	5.49%	12.52%
Benchmark ²	0.85%	2.53%	9.32%	6.84%	6.59%	7.02%
Retail ³	0.51%	2.58%	3.46%	2.51%	4.14%	10.37%
S&P/NZX 50 ⁴	1.20%	0.42%	5.79%	1.66%	7.05%	11.40%

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.



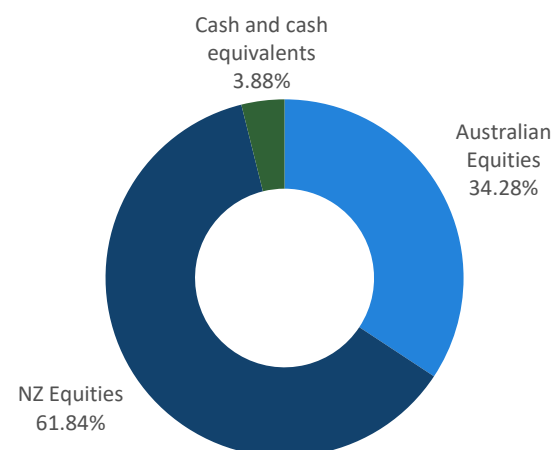
Overview

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:
Contact Energy	Allkem
Summerset Group	Infratil
Spark New Zealand	Mainfreight

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

Top 10 Holdings (% of fund)			
Spark New Zealand	12.27	Aristocrat Leisure	6.86
Infratil	12.04	Ingenia Communities	5.07
Contact Energy	11.91	Waypoint REIT	5.06
Fisher & Paykel Healthcare	9.85	Mainfreight	4.84
NextDC	9.56	Allkem	4.80
Number of holdings			14

Market Commentary

Global equity markets performed strongly over July as positive US data bolstered hopes of a soft economic landing, despite the United States Federal Reserve raising the fed funds rate 25bp to a 5.25-5.50% range. US inflation continued its downward trend with the Personal Consumption Expenditures (PCE) index slowing to an annual 3% increase in June (from 3.8% in May), and core PCE inflation (which excludes food and energy) also easing to 4.2% (from 4.6% in May). In New Zealand, headline annual inflation of 6.0% was reported for the June quarter, slightly above market expectations of 5.9%. However, non-tradables (domestic) inflation of 6.6% was well ahead of the Reserve Bank of New Zealand’s 6.3% expectation, perhaps contributing to the NZ share market’s underperformance relative to overseas markets. Post month end, the Reserve Bank of Australia held its policy rate at 4.1% for the second month in a row, in-line with market expectations, but against most economists who expected a hike. The Reserve Bank of Australia stated it wanted more time to assess the impact of previous rate rises.

Fund Commentary

The fund ended the month up 0.6%. The largest positive contributors to performance over the month were positions in **Contact Energy (CEN)**, **Summerset Group (SUM)**, and **Spark (SPK)**. CEN delivered a +2.6% return following its monthly operating statistics showed it had a strong finish to its 2023 financial year and it is well placed heading into financial year 2024. SUM performed well, up +7.4%, after announcing its second quarter sales which showed a strong bounce back in total settlements of occupation rights, as well a general improvement in investor sentiment towards the NZ housing market. Spark delivered a +1.8% return on no real news.

The largest detractors to performance were positions in **Allkem (AKE)**, **Infratil (IFT)**, and **Mainfreight (MFT)**. Allkem and Infratil saw price declines as both stocks gave up gains following strong performances over recent months, while Mainfreight fell -5.8% following a weak trading update that was well below market expectations.

Portfolio changes over the month included adding to its position in AKE and reducing our position in Summerset (SUM). (**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 \$67.7m
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% Performance fee 10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.	Strategy Launch August 2006
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 month.

Contact Us

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