

Nikko AM Concentrated Equity Strategy

Monthly Update 31 October 2023

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 dropped over the month as economic data and the Gaza conflict drove bond yields higher.
- The United States S&P 500 index fell 2.2%, the Japanese Nikkei 225 declined 3.1%, the UK FTSE 100 index dropped 3.8%, the Australian ASX 200 index lost 3.8% and the MSCI World index ended the month down 2.7% (in local terms).
- The S&P/NZX 50 index had a tough month ending down 4.8%.

Fund Highlights

- The fund ended the month down 4.2%.
- It was a relatively quiet news flow month with a number of the fund's holdings due to announce results for the period ending September in November.
- The fund's position in Spark added value while positions in Allkem, Mainfreight and Infratil detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-4.14%	-8.49%	-0.42%	-0.29%	5.32%	10.68%
Benchmark²	0.85%	2.55%	9.94%	7.28%	6.78%	7.10%
Retail³	-4.21%	-8.68%	-1.45%	-1.63%	3.90%	8.60%
S&P/NZX50⁴	-4.77%	-10.43%	-4.26%	-3.05%	5.03%	9.26%

- Returns are before tax and before the deduction of fees.
- Benchmark: RBNZ Official Cash Rate plus 5% per annum. No tax or fees.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).
- S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

Five-Year Cumulative Performance, \$10,000 invested^{1,2}



Portfolio Manager

Michael Sherrock,
Head of Equities



Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charter-holder and holds a Bachelor of Commerce degree from the University of Auckland.

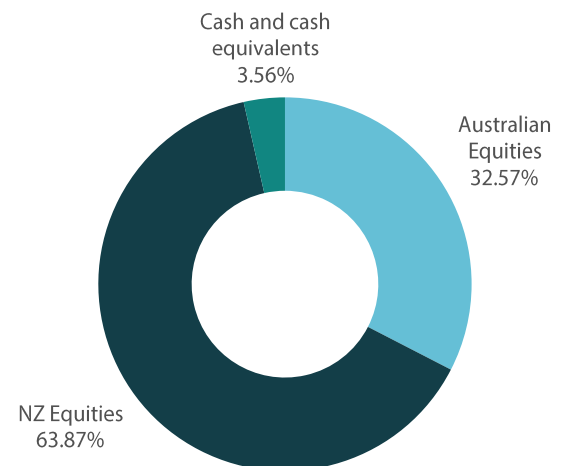
Overview

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*		Top 10 Holdings (% of fund)			
What Helped:	What Hurt:	Spark New Zealand	13.38	Aristocrat Leisure	6.43
Spark New Zealand	Allkem	Infratil	12.84	Summerset	5.21
	Mainfreight	Contact Energy	12.68	Mainfreight	5.06
	Infratil	NextDC	9.56	Ingenia Communities	4.96
		Fisher & Paykel Healthcare	9.50	Waypoint REIT	4.68
				Number of holdings	14

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

Market Commentary

Global equity markets dropped over the month as economic data and the Gaza conflict drove bond yields higher. In Australia a higher-than-expected consumer price index figure and strong retail sales led to the market starting to price in an increase in their cash rate. In the United States a good Gross Domestic Product number was reported while in Europe the European Central Bank left their cash rate unchanged but spoke to rates needing to be high for a prolonged period. All of this, along with a flight to quality and safety due to the Gaza conflict, saw the US 10-year bond end the month at 4.93%, up more than 1% since the start of the year. Similar moves have been seen in the NZ and Australian 10-year rates with them ending the month at 5.55% and 4.92% respectively.

Fund Commentary

With the equity market down 4.8% for the month, **Spark** (SPK) was the only holding in the fund that provided a positive contributor to performance. SPK rose 3.3% on no specific news albeit it does have a share buy-back in place.

The largest detractors to performance were positions in **Allkem** (AKE), **Mainfreight** (MFT) and **Infratil** (IFT). Despite acceptable operating numbers for the quarter, AKE fell 18.9% as it continues to be dragged down by weak lithium prices. MFT lost 12.2% over the month as investors became increasingly nervous about the result that MFT will deliver in November. Despite announcing a good revaluation gain of its investment in CDC, IFT declined 3.8%.

Portfolio changes over the month included adding to its positions in AKE, **Summerset** (SUM) and MFT while reducing positions in **Aristocrat Leisure** (ALL) and **A2 Milk** (ATM).

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

Key Fund Facts

Estimated annual fund charges (incl. GST)	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.	Strategy Launch:	August 2006
Wholesale: Negotiated outside of the unit price. 1.15%. refer PDS for more details.	Exclusions:	Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$56.6m
Retail:	Restrictions:	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.29%/0.29%
Distributions:				
Wholesale: Calendar quarter				
Retail: March and September				

Compliance

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

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 information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute 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.