

Nikko AM Concentrated Equity Strategy

Monthly Update 30 November 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 had a very strong month, recovering October's losses as bond yields fell sharply.
- The United States S&P 500 index rose 8.9%, the Japanese Nikkei 225 added 8.5%, the UK FTSE 100 index gained 1.8%, the Australian ASX 200 index increased 5.0% and the MSCI World index ended the month up 7.6% (in local terms).
- The S&P/NZX 50 index ended the month up 5.4%.

Fund Highlights

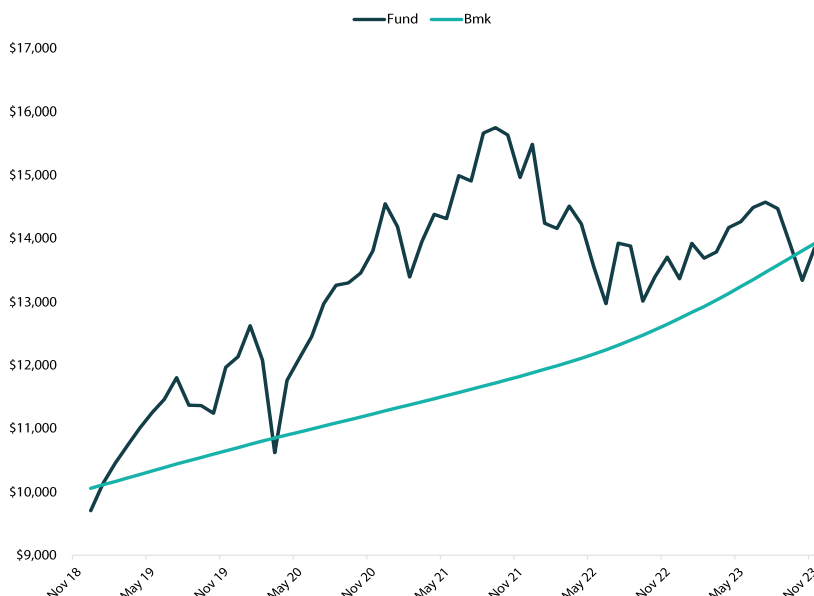
- The fund ended the month up 3.8%.
- There were a number of company results announcements and Annual Shareholder Meetings during the month.
- MSCI index flows on the last day of the month had a material impact on a number of stock prices.
- The fund's positions in Fisher & Paykel Healthcare, Mainfreight and NextDC added value while positions in Allkem, Summerset and Sky City Entertainment detracted value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	3.83%	-4.31%	1.04%	0.10%	6.73%	11.34%
Benchmark²	0.82%	2.52%	10.09%	7.42%	6.84%	7.12%
Retail³	3.71%	-4.53%	-0.01%	-1.20%	5.28%	9.28%
S&P/NZX50⁴	5.35%	-1.54%	-1.04%	-3.15%	5.95%	10.08%

- 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.

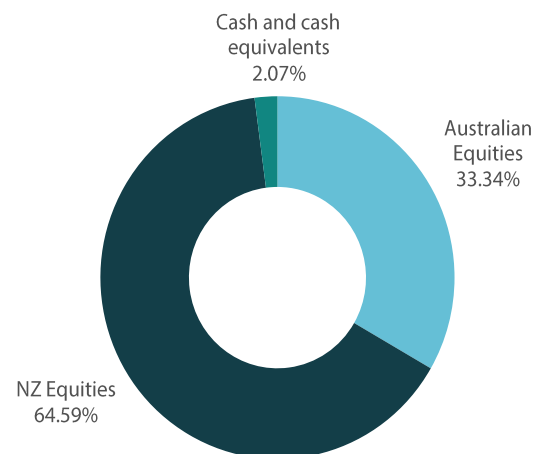
Overview

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:	Contact Energy	12.63	Summerset	7.34
Fisher & Paykel Healthcare	Allkem	Infratil	12.54	Aristocrat	6.56
Mainfreight	Summerset	Spark New Zealand	11.31	Mainfreight	5.87
NextDC	Sky City Entertainment	NextDC	10.28	Ingenia Communities	5.09
		Fisher & Paykel Healthcare	10.02	Waypoint REIT	5.05
				Number of holdings	14

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

Market Commentary

Global equity markets had a very strong month, recovering October's losses as bond yields fell sharply on signs that rate hikes might be over in the United States. In contrast the Reserve Bank of Australia hiked rates early in November and the Reserve Bank of New Zealand signalled that rate cuts are further out than they had previously signalled. Interest rate moves and expectations continue to dominate the equity market rather than earnings results and the outlook for earnings. Outside of results and shareholder meetings, EBOS got some attention as it went into trading halt for several days due to media speculation they were in discussion to buy the Greencross vet and pet retail business. Ultimately the deal didn't eventuate, likely due to not getting enough support from investors.

Fund Commentary

The largest positive contributors were positions in **Fisher & Paykel Healthcare** (FPH), **Mainfreight** (MFT) and **NextDC** (NXT). FPH's result was a touch better than the market expected and full year guidance also gave comfort that earnings were not going to disappoint for the full year result. FPH ended the month up 13.2%. MFT had a strong month, up 17.9% after providing comfort to investors at its earnings result that the freight market that they operate in is normalising. NXT gained on the back of lower bond yields and rose 10.9% (in AUD).

The largest negative contributors to the fund's return were from positions **Allkem** (AKE), **Summerset** (SUM) and **Sky City Entertainment** (SKC). AKE continues to be dragged down by weak lithium prices and ended the month 9.9% (in AUD) lower. SUM was impacted by its removal from the MSCI Small Cap index which resulted in forced selling by index trackers on the last day of the month and as a result fell 4.4%. SKC ended the month down 1.1% despite a court ruling in its favour relating to the carpark asset that it is having to buy back.

Portfolio changes over the month included adding to its positions in SUM and **Contact Energy** (CEN) while reducing positions in **A2 Milk** (ATM), FPH and **Spark** (SPK).

(**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.		Strategy size:	\$60.6m
Retail:		Exclusions: Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	Buy / Sell spread:	0.29%/0.29%
Distributions:			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 .	
Wholesale:	Calendar quarter			
Retail:	March and September			

Compliance

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

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