

# Nikko AM Concentrated Equity Strategy

Monthly Update 31 January 2024

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 have had a solid start to the year with most markets continuing the good performance seen in November and December.
- The United States S&P 500 index rose 1.6%, the Japanese Nikkei 225 jumped 8.4%, the UK FTSE 100 index declined 1.3%, the Australian ASX 200 index increased 1.2% and the MSCI World index ended the month up 1.2% (in local terms).
- The S&P/NZX 50 index ended the month up 0.9%.

## Fund Highlights

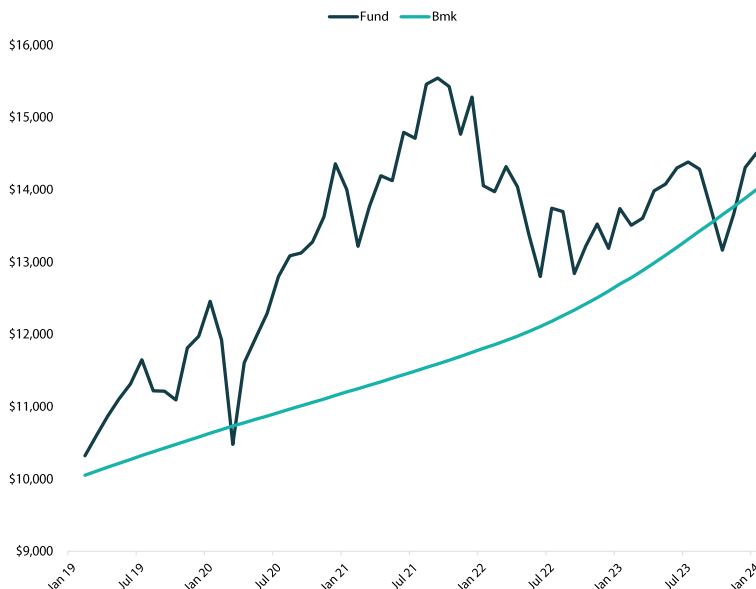
- The fund ended the month up 1.4%.
- There was little news or updates from companies held ahead of February where we will see a number of the fund's holdings report results for the period ending December.
- The fund's positions in Infratil, Aristocrat Leisure and Somerset added value while positions in Arcadium Lithium and Ramsay Health Care detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	1.38%	10.20%	5.58%	1.19%	7.72%	11.73%
<b>Benchmark<sup>2</sup></b>	0.85%	2.55%	10.30%	7.72%	6.96%	7.17%
<b>Retail<sup>3</sup></b>	1.27%	9.82%	4.44%	-0.07%	6.24%	9.67%
<b>S&amp;P/NZX50<sup>4</sup></b>	0.87%	10.47%	0.09%	-2.53%	6.56%	10.42%

- Returns are before tax and before the deduction of fees and including tax credits (if any).
- 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<sup>1,2</sup>



## 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.

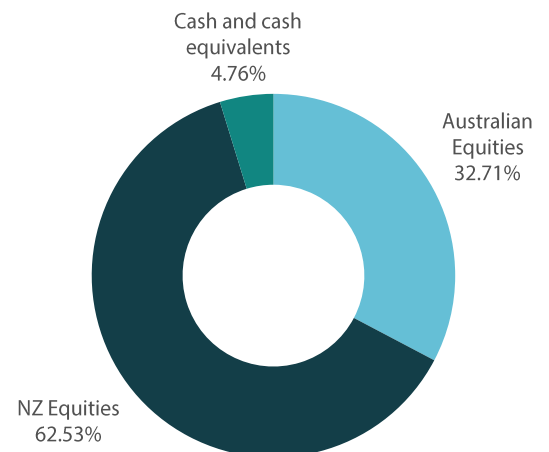
## Overview

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)			
<b>What Helped:</b>	<b>What Hurt:</b>	Contact Energy	12.33	Summerset	7.23
Infratil	Arcadium Lithium	Infratil	11.98	Aristocrat Leisure	6.49
Aristocrat Leisure	Ramsay Health Care	Spark New Zealand	10.71	Mainfreight	5.45
Summerset		NextDC	10.17	Ingenia Communities	5.28
		Fisher & Paykel Healthcare	9.68	Waypoint REIT	4.92
				<b>Number of holdings</b>	<b>14</b>

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

## Market Commentary

Despite continuing tensions in the Middle East, including attacks on ships in the Red Sea, global equity markets have had a solid start to the year. The United States released several strong pieces of economic data including robust jobs report, steady unemployment and much better economic growth. This, along with a continued view that rate cuts are on the horizon, gave investors confidence in the equity market. Following the Federal Open Market Committee meeting where rates were left unchanged, the Governor of US Federal Reserve stressed that they are in no rush to cut rates. This led to a drop in the US market on the last day of the month. Commentary from Central Banks over the coming months around timing of rate cuts will be important for the performance of markets. February will see a number of companies report results for the period ending December. As per normal, earnings results along with outlook comments will be important for investors and stock price movements.

## Fund Commentary

The largest positive contributors were positions in **Infratil** (IFT), **Aristocrat Leisure** (ALL) and **Summerset** (SUM). IFT rose 5.3% following a positive revaluation of its Canberra Data Centre investment along with announcing the signing of new customer contracts that underwrite further development. SUM announced strong sales numbers of new and resale units for the last quarter of 2023. This should support a reasonable 2023 result and good momentum into 2024. ALL continues to access new markets and rose 9.0% (in AUD) after announcing it has been awarded entry into the Quebec video lottery terminal gaming market.

The largest negative contributors to the fund's return were from positions in **Arcadium Lithium** (LTM) and **Ramsay Health Care** (RHC). With the merger complete between Allkem and Livent, LTM started trading in late December and was relatively strong into the end of the year. With weak lithium prices, LTM came under pressure in January and fell 30.6% (in AUD). RHC fell 2.6% (in AUD) on no specific news.

Portfolio changes over the month included small reductions in positions in **SUM**, **ALL**, **Contact Energy** (CEN), **IFT**, **Spark** (SPK), **Mainfreight** (MFT) and **NextDC** (NXT).

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

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Hedging:</b>	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.	<b>Strategy Launch:</b>	August 2006
<b>Wholesale:</b>	Negotiated outside of the unit price. 1.15%. refer PDS for more details.	<b>Exclusions:</b>	Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy size:</b>	\$64m
<b>Retail:</b>		<b>Restrictions:</b>	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions:</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				

## Compliance

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

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto: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](http://nikkoam.co.nz).