

# Nikko AM Concentrated Equity Strategy

Monthly Update 29 February 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 continued their recent strong run with inflation moving in the right direction, giving comfort that rate increases were at an end.
- The United States S&P 500 index rose 5.2%, the Japanese Nikkei 225 jumped 7.9%, the UK FTSE 100 index was unchanged, the Australian ASX 200 index increased 0.8% and the MSCI World index ended the month up 4.3% (in local terms).
- The S&P/NZX 50 index ended the month down 1.1%.

## Fund Highlights

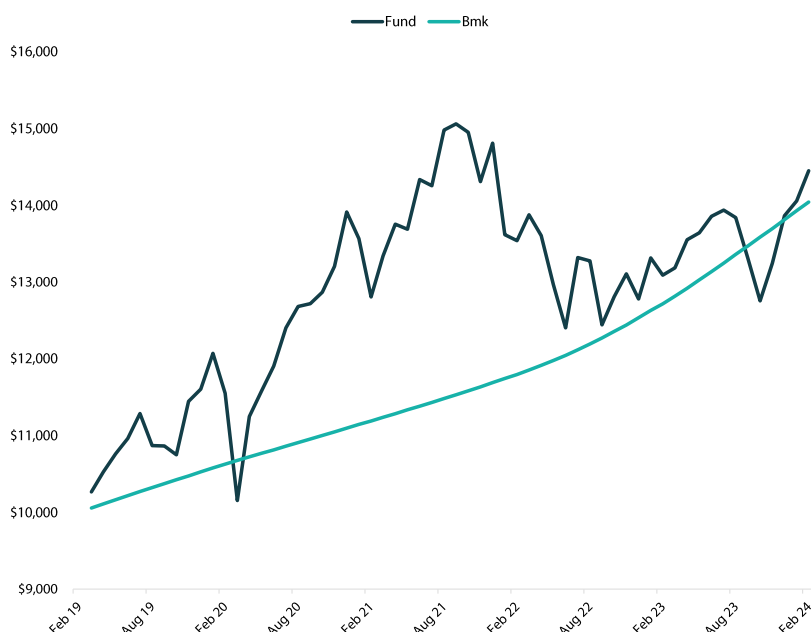
- The fund ended the month up 2.8%.
- It was a busy month with a number of companies reporting earnings for the period ending December and others updating their earnings guidance for the March period.
- The fund's positions in NextDC, Ingenia Communities and Fisher & Paykel Healthcare added value while positions in Spark, 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.)
<b>Wholesale<sup>1</sup></b>	2.81%	9.12%	10.40%	4.11%	7.64%	11.91%
<b>Benchmark<sup>2</sup></b>	0.80%	2.52%	10.42%	7.86%	7.03%	7.20%
<b>Retail<sup>3</sup></b>	2.69%	8.74%	9.16%	2.64%	6.16%	9.85%
<b>S&amp;P/NZX50<sup>4</sup></b>	-1.05%	3.75%	-0.35%	-0.55%	5.54%	10.04%

- 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.

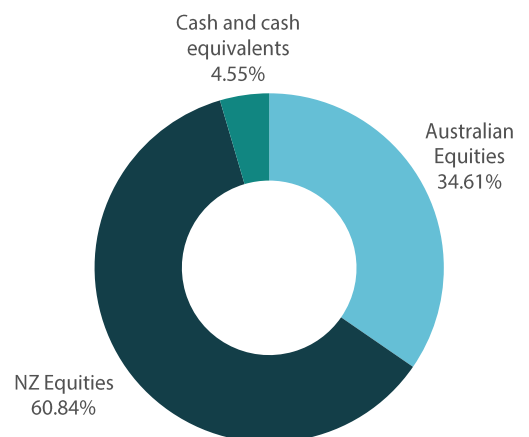
## Overview

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	12.14	Summerset	7.16
NextDC	Spark	NextDC	11.86	Aristocrat Leisure	6.67
Ingenia Communities	Mainfreight	Infratil	11.52	Ingenia Communities	5.59
Fisher & Paykel Healthcare	Infratil	Spark New Zealand	10.06	Mainfreight	5.07
		Fisher & Paykel Healthcare	8.92	Waypoint REIT	4.57
		<b>Number of holdings</b>			<b>14</b>

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

## Market Commentary

After a very strong end to 2023 and a solid January, equity markets continued their move higher - assisted by inflation in most economies moving in the right direction giving comfort that interest rate increases were at an end. Despite some economists picking that the Reserve Bank of New Zealand would increase our Official Cash Rate, the RBNZ left the OCR at 5.5% when they released their Monetary Policy Statement late in February. In fact, the RBNZ's statement was more dovish than expected which resulted in bond yields moving modestly lower. Company earnings results were also influential in market returns. New Zealand had quite a divergent set of results and associated stock price moves with a high of +20.8% for Gentrack through to -25.7% for Kathmandu in the S&P/NZX 50 index. Out of the 50 stocks there were 18 positive returns and 32 negative returns.

## Fund Commentary

The largest positive contributors were positions in **NextDC (NXT)**, **Ingenia Communities (INA)** and **Fisher & Paykel Healthcare (FPH)**. NXT jumped 25.9% (in AUD) after announcing a good result but more importantly outlining a strong demand outlook driven by cloud and Artificial Intelligence data storage requirements. INA reported a strong result for the first half of its financial year and ended the month 9.2% (in AUD) higher. FPH rose 3.5% on no specific news.

The largest negative contributors to the fund's return were from positions in **Spark (SPK)**, **Mainfreight (MFT)** and **Infratil (IFT)**. After performing well in January, SPK pulled back in February and was not helped by index fund selling which saw SPK down 4.6%. After performing strongly over recent months, both IFT and MFT pulled back in February on no specific news. IFT ended the month down 2.4% while MFT fell 5.5%.

Portfolio changes over the month included adding **Ryman Healthcare** to the portfolio while reducing positions in **FPH** and **NXT**. The fund's position in A2 Milk was divested.

## 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>	\$64.5m
<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

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