

Factsheet 31 March 2021

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

- Despite long bond yields increasing materially over the quarter, most global equity markets posted positive returns.
- For the quarter, the United States S&P 500 index rose 5.8%, the Japanese Nikkei 225 index gained 6.3%, the UK FTSE 100 index increased 3.9%, the Australian ASX 200 index added 4.3% and the MSCI World index ended the quarter up 5.9%, all in local currency.
- The S&P/NZX 50 index went against the global trend and ended the quarter down 3.9%.

Fund Highlights

- The fund ended the quarter down 4.1% although posted a strong positive return of 4.2% for the month of March.
- A number of the fund's holdings reported results for the period ending December with result generally in line or ahead of market expectations but were overwhelmed by sentiment relating to the long-bond sell off.
- Positions in Pushpay, Aristocrat Leisure and Sky City performed well, while holdings in Contact Energy, A2 Milk and NextDC detracted from our performance.

Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | 4.17% | -4.11% | 31.40% | 9.47% | 13.21% | 14.37% |
| Benchmark ² | 0.44% | 1.27% | 5.25% | 6.06% | 6.38% | 7.07% |
| NZSE50 ³ | 2.92% | -3.87% | 28.93% | 15.65% | 14.32% | 15.15% |
| Retail ⁴ | 4.17% | -3.54% | 29.21% | 8.10% | 11.31% | 11.98% |

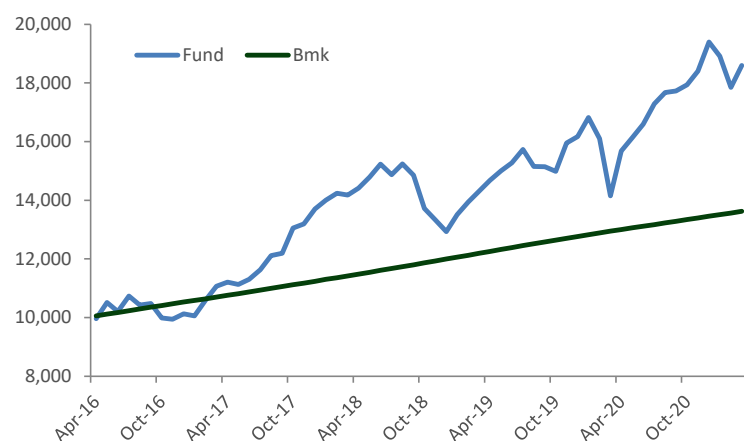
1. Returns are before tax and before the deduction of fees.

2. Benchmark: RBNZ Official Cash Rate plus 5% per annum. No tax or fees.

3. S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

4. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).

Five year cumulative performance, \$10,000 invested ^{1,2}



Portfolio Manager

Stuart Williams,
Head of Equities



Responsible for the Domestic Equities team and managing the Core and Concentrated Funds and associated mandates. Covers the Industrials, Healthcare and Financials sectors. Twenty years of experience in all aspects of the investment management industry with a strong track record in portfolio management of both benchmark relative and high conviction funds. Joined 2014.

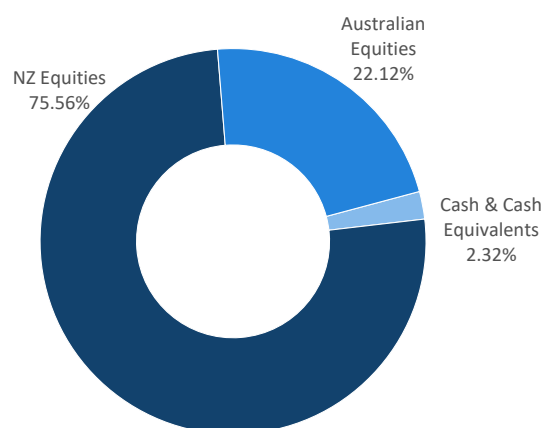
Overview

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 (quarter) | |
|---|--------------------|
| What Helped: | What Hurt: |
| Pushpay Holdings Ltd | Contact Energy Ltd |
| Aristocrat Leisure Ltd | A2 Milk Co Ltd |
| Skycity Entertainment Group | NextDC Ltd |
| Absolute contribution – not relative to S&P/NZX50 Index | |

| Top 10 Holdings | | | |
|---------------------------|--------|------------------------|-----------|
| Fisher & Paykel | 11.88% | Aristocrat Leisure Ltd | 5.80% |
| Infratil Ltd | 10.99% | Ebos Group Limited | 5.54% |
| Spark NZ | 9.93% | Skycity Entertainment | 5.40% |
| Summerset Group | 7.56% | Pushpay Holdings Ltd | 5.24% |
| Eroad Ltd | 6.15% | Contact Energy | 4.96% |
| Number of holdings | | | 16 |

Market Commentary

While long bonds sold off across the world, New Zealand was particularly impacted. The New Zealand 10-year government bond traded above 2.0% intra-day before closing the quarter at 1.81%, up 82bps on the previous quarter’s close. While a number of companies reported in line or better than expected results for the period ending December, the bond movement dominated. This flowed through to a sell-off in the equity market - in particular yield stocks. In addition, with the confirmation that Meridian Energy and Contact Energy will be down weighted in the iShares Clean Energy ETF, both stocks sold off aggressively.

Fund Commentary

The fund ended the quarter down 4.1% notwithstanding the month of March was very strong. The largest positive contributors **Pushpay** (PPH), **Aristocrat Leisure** (ALL) and **SkyCity Entertainment** (SKC). ALL rallied 12% as a re-opening trade beneficiary and following a positive update from the company at their ASM. SKC delivered a better than expected earnings result and rose 8.4% over the quarter. Following the sale of a large block of shares which was weighing on the share price, PPH added 14.9%.

The largest negative contributors were **Contact Energy** (CEN), **A2 Milk** (ATM) and **NextDC** (NXT). CEN’s share price fell around 19% notwithstanding their result was good but as with Meridian Energy (not held), the stock was dragged down by market positioning ahead of its down weight in the iShares Clean Energy ETF, along with a \$400 million capital raising to fund its geothermal development. ATM was down 28% over the quarter as the coy reduced earnings guidance for FY21 on a slower than expected Chinese route to market recovery. NXT pulled back 14% despite upgrading guidance and generally positive company dynamics as technology stocks generally paused globally as world market contemplated re-opening.

Key portfolio changes during the month included adding to positions in **Fisher & Paykel Healthcare** (FPH), **Aristocrat Leisure** (ALL), **PushPay Holding** (PPH) and **Sky City Entertainment** (SKC). The fund reduced positions in CEN, ATM. A new position in **Sydney Airport** (SYD) was introduced in the fund.

Key Fund Facts

| | | |
|--|---|------------------------|
| Distributions | Estimated annual fund charges (incl. GST) | Strategy size |
| Wholesale fund: Calendar quarter | Wholesale: negotiated outside of fund | \$118.4m |
| Retail fund: March and September | Retail: 1.15%, refer PDS for more details | |
| Hedging | Buy / Sell spread: 0.29% / 0.29% | Strategy Launch |
| 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. | Performance fee | August 2006 |
| | 10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies. | |

Compliance

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

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