

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

- Global equity markets took a hit during November as investors became nervous following the announcement of another COVID-19 variant - Omicron. Inflation continues to be relatively high in a number of economies putting focus on the response from Central Banks. The Reserve Bank of New Zealand followed up last month's increase in the official cash rate (OCR) with another 25 basis point increase taking the OCR to 75 basis points.
- The United States S&P 500 index fell 0.8%, the Japanese Nikkei 225 index lost 3.7%, the UK FTSE 100 index gave up 2.5%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.7%
- The S&P/NZX 50 index ended the month down 2.9%.

Fund Highlights

- The fund ended the month down 4.29%.
- Fisher & Paykel Healthcare, NEXTDC and Spark all performed positively over the month.
- PushPay Holdings, Summerset and Westpac detracted significantly from fund performance.
- Both Sydney Airport and Z Energy continued to move toward likely takeovers.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-4.29%	-4.48%	8.37%	14.38%	14.93%	16.34%
Benchmark ²	0.44%	1.32%	5.30%	5.74%	6.14%	6.92%
Retail ³	-4.40%	-4.76%	6.43%	12.59%	12.81%	13.77%
NZSE50 ⁴	-2.89%	-3.57%	0.23%	13.78%	14.04%	15.80%

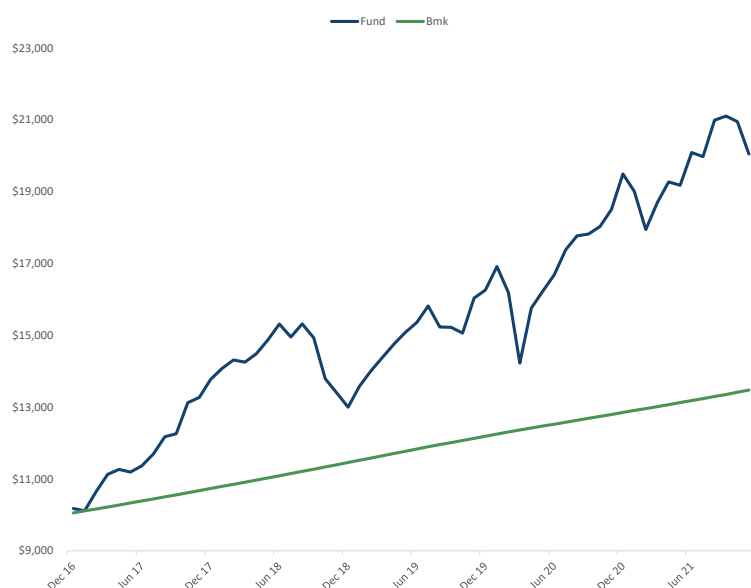
1. Returns are before tax and before the deduction of fees.

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

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

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

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.

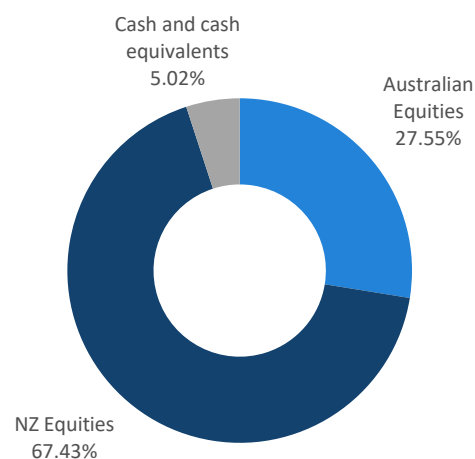
Overview

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 (month)	
What Helped:	What Hurt:
Fisher & Paykel Healthcare	Pushpay Ltd
NEXTDC Ltd	Summerset Ltd
Spark NZ Ltd	Westpac

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

Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	10.96%	Ingenia Group	6.94%
Infratil Ltd	9.41%	Summerset Group	6.29%
Spark New Zealand Ltd	8.20%	Aristocrat Leisure Ltd	6.01%
Contact Energy Ltd	7.48%	EBOS Ltd	5.78%
Z Energy Ltd	7.17%	EROAD Ltd	4.80%
Number of holdings			16

Market Commentary

Global equity markets took a hit during November as investors became nervous following the announcement of another COVID-19 variant - Omicron. Inflation continues to be relatively high in a number of economies and as a result there is a focus on the response from Central Banks. The Reserve Bank of New Zealand followed up last month’s increase in the official cash rate (OCR) with another 25 basis point increase taking the OCR to 75 basis points. Company results announced during the month highlighted cost pressures being faced, in particular those related to wages or those impacted by constrained supply chains.

Fund Commentary

The fund ended the month down 4.29%, lagging the broader NZ market materially which fell 2.90%. The largest positive contributors were positions in **Fisher & Paykel Healthcare** (FPH), **NEXTDC** (NXT) and **Spark** (SPK). FPH rallied 6.79% following a more positive half year earnings announcement than the market expected. The result was supported by modest growth in the Hospital division revenue from the Delta wave. NXT rallied modestly over the month, up 2.61% following confirmation of earnings guidance. SPK rose 0.79% on no specific news.

The largest negative contributors to return were positions **Pushpay** (PPH), **Summerset** (SUM) and **Westpac Bank** (WBC). PPH dropped 28.4% after a disappointing result and downgrading its earnings guidance. In addition, concerns about unique customer additions and transaction volumes together with cost escalations remain at the forefront of investor minds. A number of retirement business reported earnings during the month which highlighted increasing costs - in particular for staff. This, along with some negative sentiment around the housing market outlook saw SUM fall 12.5%. WBC fell 18.3% with their second half earnings announcement. The challenges include margin declines, cost increases and momentum into the new year, hence the sizeable fall in price. We remain supportive of PPH, SUM and WBC from a medium-term valuation perspective.

During the month we modestly increased investment in **Ingenia Communities** (INA) in their capital raising to fund acquisitions and into **Spark** (SPK). The holding of **Sydney Airport** (SYD) was modestly reduced as well.

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

Key Fund Facts

Distributions	Estimated annual fund charges (incl. GST)	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$124.1m
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 month.

Contact Us

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