

# 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 were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact
- The United States S&P 500 index fell 3.1%, the Japanese Nikkei 225 index lost 1.8%, the UK FTSE 100 index gave up 0.1%, the Australian ASX 200 index rose 2.1% and the MSCI World index ended the month down 2.6%
- The S&P/NZX 50 index ended the month up 0.8%

## Fund Highlights

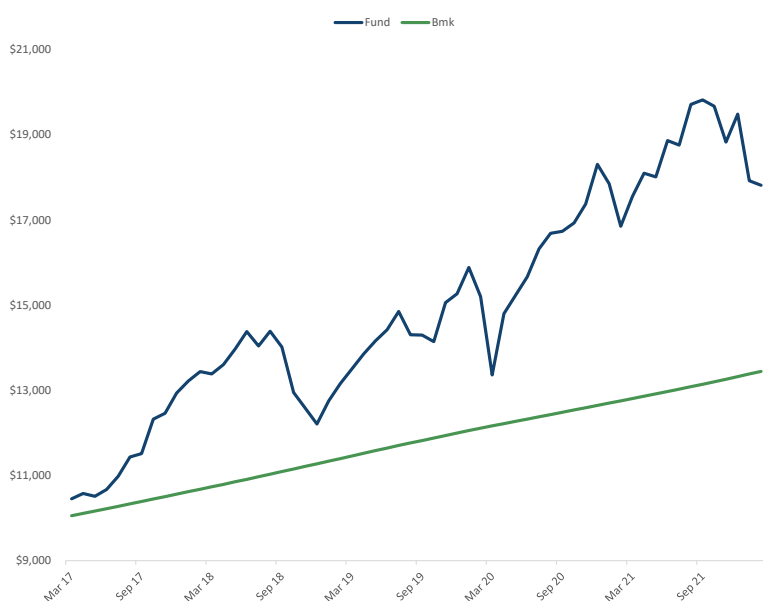
- The fund ended the month down 0.58%
- Earnings season and investor updates provided fresh information on portfolio companies and the market. Generally, earnings releases were positive.
- Fund positions in Westpac Bank, SkyCity Entertainment, Infratil and Spark performed strongly. While our investments in Eroad, Pushpay, Aristocrat and Ingenia Communities were weak.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-0.58%	-5.38%	5.72%	10.63%	12.25%	15.44%
Benchmark <sup>2</sup>	0.43%	1.39%	5.42%	5.66%	6.10%	6.88%
Retail <sup>3</sup>	-0.66%	-5.67%	3.52%	8.89%	10.21%	12.90%
NZSE50 <sup>4</sup>	0.75%	-5.75%	-1.41%	9.49%	11.81%	14.93%

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 <sup>1,2</sup>



## 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.

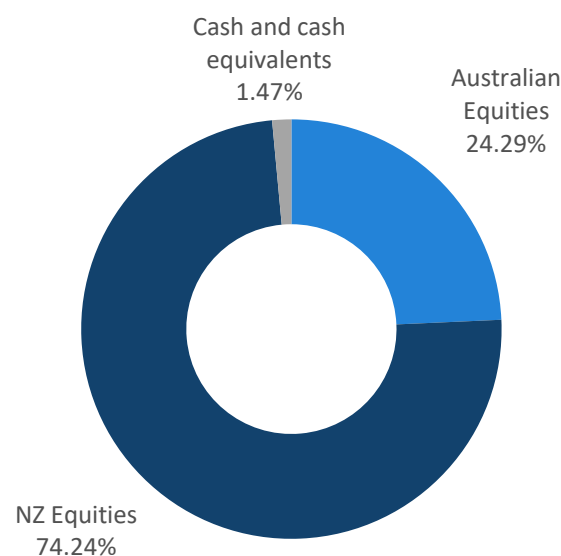
## Overview

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:
Infratil	EROAD
Westpac	Pushpay
Spark	Aristocrat

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

Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	11.98%	Holdings Ltd	6.86%
Infratil Limited	10.46%	Ingenia Communities	6.50%
Spark New Zealand Ltd	9.43%	EBOS Group Summerset	6.50%
Contact Energy Limited	9.09%	Aristocrat Leisure Ltd	6.12%
Z Energy	6.88%	Waypoint REIT	5.24%
<b>Number of holdings</b>			<b>16</b>

## Market Commentary

Global equity markets were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact. The Omicron variant of COVID-19 progresses at differing stages with some economies opening up and others at the early stage with workforces heavily impacted. Inflation continues to be a concern for central banks with a number raising or expected to raise interest rates. The invasion of Ukraine by Russia late in the month followed by severe sanctions created market volatility. Reporting season in New Zealand was better than expected albeit outlook statements included a caveat around potential impacts from COVID-19.

## Fund Commentary

The fund ended the month down slightly 0.58% and lagging the performance of the broader NZ market which returned 0.75%. Both **Westpac Bank (WBC)** and **SkyCity Entertainment (SKC)** bounced off recent lows having provided market updates. **Infratil (IFT)** rallied 5% following a positive investor update during February which provided considerable details on the alternate energy development opportunities in the portfolio together with detail data-centre developments. **Spark New Zealand (SPK)** reported another solid half year result and confirmed guidance for the full year, hence the stock rallied 4%.

**EROAD (ERD)**, **PushPay (PPH)** and **Aristocrat Leisure (ALL)** were the major detractors. ERD fell 17.8% despite of no news being released during the period. The company continues to be less favoured despite ever improving operational performance. PPH fell 13.9% on no specific news other than tech stocks being out of favour as rates rise and volatile markets. ALL fell 7.7% in the month following the announcement their bid for Playtech Plc, a gambling software and content provider had been rejected by Playtech shareholders.

During the month we reintroduced **Fletcher Building (FBU)** to the portfolio which are funded by a reduction of investment in both **SkyCity Entertainment (FBU)** and **Westpac Bank (WBC)**.

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

## Key Fund Facts

<b>Distributions</b>		<b>Estimated annual fund charges (incl. GST)</b>	<b>Strategy size</b>
Wholesale fund:	Calendar quarter	Wholesale: negotiated outside of fund	\$105.7m
Retail fund:	March and September	Retail: 1.15%, refer PDS for more details	
<b>Hedging</b>		<b>Buy / Sell spread: 0.29% / 0.29%</b>	<b>Strategy Launch</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>Performance fee</b>	August 2006
		10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.	
<b>Exclusions</b> Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.			
<b>Restrictions</b> Tobacco stocks, 'controversial weapons', fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .			

## Compliance

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

## Contact Us

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