

# 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 mixed in May with inflation, increasing interest rates, earnings results and the war in Ukraine having an impact.
- The United States S&P 500 index was flat, the Japanese Nikkei 225 index rose 1.6%, the UK FTSE 100 index gained 0.8%, the Australian ASX 200 index declined 2.6% and the MSCI World index ended the month up 0.3%.
- The S&P/NZX 50 index ended the month down 4.8%.

## Fund Highlights

- The fund ended down 4.7%.
- A number of the fund's holdings reported results for the period ending March.
- Positions in Pushpay Holdings, Westpac Banking Corporation and Aristocrat Leisure added value.
- EROAD, Contact Energy, Ingenia Communities and Fletcher Building all fell materially as the broad New Zealand market fell back.
- Z Energy delisted from the market following acquisition by Ampol.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-4.70%	-4.24%	-5.28%	6.41%	10.18%	14.83%
Benchmark <sup>2</sup>	0.54%	1.55%	5.68%	5.63%	6.07%	6.85%
Retail <sup>3</sup>	-4.77%	-4.45%	-7.12%	4.73%	8.21%	12.32%
S&P/NZX 50 <sup>4</sup>	-4.81%	-5.31%	-7.55%	4.50%	9.73%	13.69%

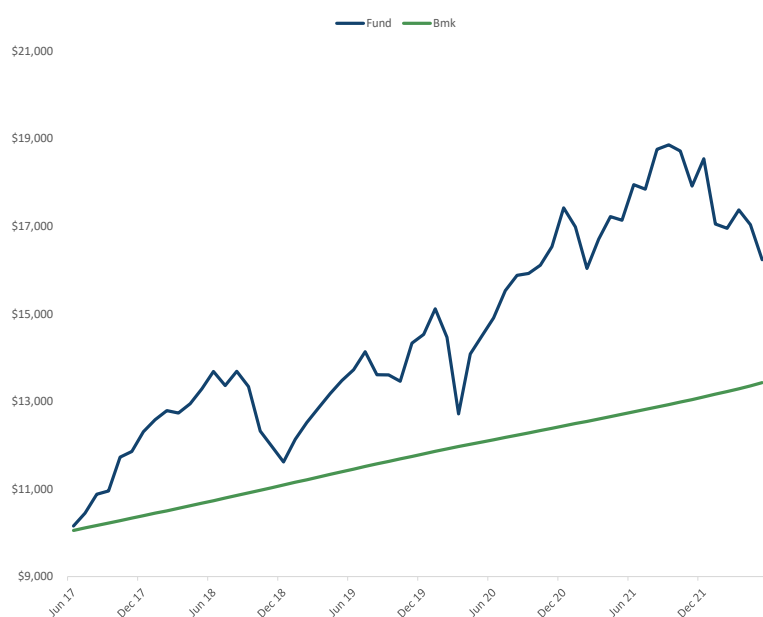
1. Returns are before tax and before the deduction of fees.

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.

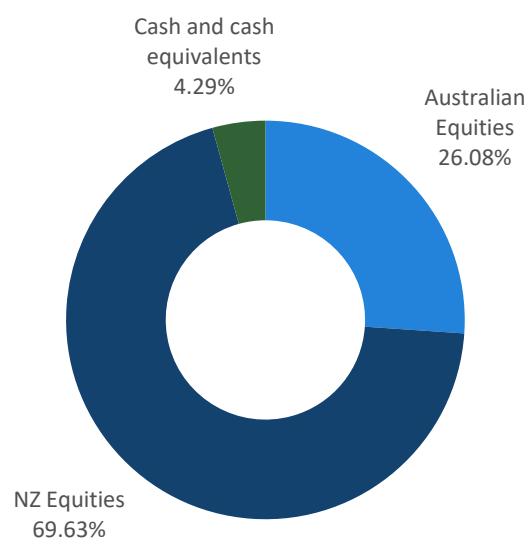
## Overview

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:
Pushpay Ltd	EROAD Ltd
Aristocrat Leisure Ltd	Contact Energy Ltd
Mainfreight Ltd	Ingenia Communities Group

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

Top 10 Holdings			
Infratil Limited	9.89%	Aristocrat Leisure Ltd	6.80%
Fisher & Paykel Healthcare	9.46%	Ingenia Communities	6.23%
Spark New Zealand Ltd	9.36%	Pushpay Ltd	6.19%
Contact Energy Limited	8.28%	Waypoint REIT	5.69%
EBOS Group Limited	7.79%	NEXTDEC Ltd	5.45%
<b>Number of holdings</b>			<b>16</b>

## Market Commentary

Inflation continues to be front of mind with a number of Central Banks including the Reserve Banks of New Zealand and Australia, the Bank of England and the US Federal Reserve all increasing cash rates over the month. Earnings results were mixed with tech stocks particularly disappointing including EROAD which fell 24.8%. On the last day of the month the MSCI Index removed Ryman along with an index rebalance which saw some large flows and price movements in particular stocks.

## Fund Commentary

The fund ended the month down by 4.7% following on from a weak start to the year generally and the first quarter being down 6.3%. The largest positive contributors to monthly performance were positions **Pushpay Holdings** (PPH) and **Aristocrat Leisure** (ALL). PPH rallying ~10% during the month after two investors announced they had secured a combined stake of 20.3% and they were developing a proposal to acquire PPH’s shares via a scheme of arrangement. ALL announced a strong first half result, beating market expectations and launching a \$500m share buyback, all of which supported the share in an otherwise negative market. Z Energy delisted from the market last month, but the payment was made during May which resulted in outperformance relative to the market which fell.

The position in **EROAD** (ERD) detracted value with the stock falling ~25% over the month following last month’s surprise resignation of the founder / CEO and major shareholder, with disappointing FY23 guidance. The actual FY22 result was also weaker than the market braced for last month and despite the Coretex acquisition going as expected. **Contact Energy** (CEN) and **Ingenia Communities** (INA) detracted value. CEN sold off with reduced operational performance statistics and in response to the rising interest rate outlook globally and domestically which suppresses long term valuations. Australian property securities generally were underperformers relative to the New Zealand market with INA down 12.4% (in AUD) despite no specific news announcements. Despite providing a positive market update early in May, **Fletcher Building** (FBU) fell 12.4% on negative sentiment around the housing market.

Key portfolio changes during the month included adding **Mainfreight** (MFT) and **Ramsay Healthcare** (RHC) to the portfolio and adding to existing positions in **Aristocrat Leisure** (ALL) and **SkyCity Entertainment** (SKC). Reductions were made in **Fisher & Paykel Healthcare** (FPH) and **Summerset Group** (SUM) while Westpac (WBC) and ZEL were removed from the fund.

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

Key Fund Facts	
<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund
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>
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>
<b>Exclusions</b> Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009.	10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.
<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> .	<b>Strategy size</b>
	\$91.6m
	<b>Strategy Launch</b>
	August 2006

## Compliance

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

## Contact Us

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