

Factsheet 30 June 2022

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

- With the exception of China, global equity markets sold off aggressively over the quarter with inflation, increasing interest rates, labour shortages and the war in Ukraine all having an impact.
- The United States S&P 500 index fell 16.5%, the Japanese Nikkei 225 index lost 5.1%, the UK FTSE 100 index gave up 4.6%, the Australian ASX 200 index declined 11.9% and the MSCI World index ended the quarter down 12.7%.
- The S&P/NZX 50 index ended the quarter down 10.2%.

Fund Highlights

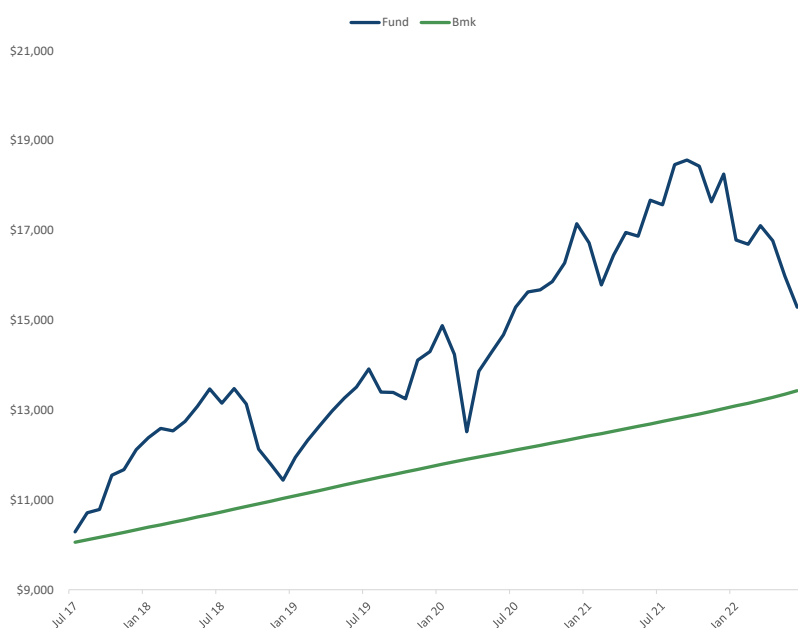
- The fund ended the quarter down 10.6%.
- A number of the fund's holdings reported results for the period ending March.
- Pushpay announced they have been approached by parties interested in acquiring the company. The Z Energy takeover settled during the month and Z Energy delisted from the market following acquisition by Ampol.
- EROAD, Fisher & Paykel, Ingenia Communities and Fletcher Building all fell materially as the broad New Zealand market fell back.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-4.34%	-10.61%	-13.48%	4.21%	8.87%	14.48%
Benchmark ²	0.56%	1.61%	5.82%	5.64%	6.08%	6.84%
Retail ³	-4.43%	-10.85%	-14.72%	2.56%	6.95%	11.97%
S&P/NZX 50 ⁴	-3.82%	-10.15%	-13.50%	1.86%	8.30%	13.53%

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.

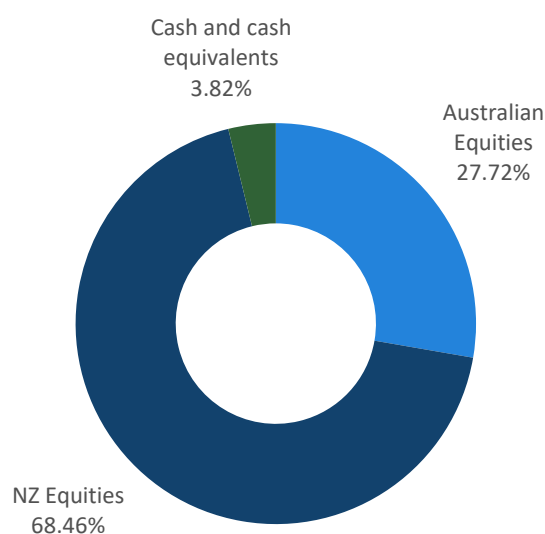
Overview

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 (quarter)	
What Helped:	What Hurt:
Pushpay Ltd	EROAD Ltd
Spark Ltd	Fisher & Paykel Healthcare Ltd
SkyCity Entertainment Ltd	Ingenia Communities Group

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

Top 10 Holdings			
Infratil Limited	10.34%	Aristocrat Leisure Ltd	7.32%
Spark New Zealand Ltd	9.74%	Ingenia Communities	5.39%
Fisher & Paykel Healthcare	9.37%	Pushpay Ltd	5.68%
EBOS Group Limited	7.91%	Waypoint REIT	5.58%
Contact Energy Limited	7.62%	NEXTDEC Ltd	5.57%
Number of holdings			16

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. Large moves up were also seen in bond yields with key 10-year rates up more than 1% intra-quarter before ending the quarter up 60 – 80 basis points. This is flowing through to weak equity and bond markets with the tech-heavy Nasdaq a standout - down 22.4% over the quarter. Earnings results were mixed with tech stocks disappointing leading to Serko, EROAD and Pacific Edge falling 20.6%, 67.6% and 29.2% respectively. EROAD was also impacted by the sudden resignation of its CEO.

Fund Commentary

The fund ended the quarter down 10.7% broadly following developed market returns for the period. The largest positive contributors to performance were positions **Pushpay Holdings** (PPH) rallying ~11% during the quarter 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. **Spark New Zealand** (SPK) rose 4.8% as it benefits from its defensive earnings, high yield and potential to unlock value through the part sale of its cell tower assets. Westpac Bank (WBC) added value as the stock was sold completely from the fund for a 3% profit prior to its steep late-month fall.

The position in **EROAD** (ERD) disappointed on a number of fronts and detracted value with the stock falling ~67% over the quarter. As noted previously, the market and the board were surprised by the resignation of the founder / CEO and major shareholder. The sudden announcement notwithstanding the company’s assurance that both trading and the integration of the Cortex acquisition are proceeding well continues to be viewed dimly. FPH fell over the quarter by 16.5% as the company continued to lag a period of extraordinary growth in the business due to the prior peaks in COVID cases globally. While the company released a strong FY22 result and held a very well attended investor day, the uncertainty about the forward utilisation of their installed base of hospital humidifier and late of quantitative forward guidance, weighted the stock down.

Australian property securities generally were underperformers relative to the New Zealand market with INA down 19% (in AUD) despite no specific news announcements

Key portfolio changes during the quarter 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

Distributions	Estimated annual fund charges (incl. GST)	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$86.9m
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.	
Exclusions Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009.		
Restrictions 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 https://www.nikkoam.co.nz/invest/retail .		

Compliance

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

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.