

Factsheet 31 October 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

- Most major global equity markets ended the month in positive territory albeit were volatile within the period.
- The United States S&P 500 index rose 8.0%, the Japanese Nikkei 225 index added 6.4%, the UK FTSE 100 index gained 2.9%, the Australian ASX 200 index increased 6.0% and the MSCI World index ended the month up 6.1%.
- The S&P/NZX 50 index ended the month up 2.5%.

Fund Highlights

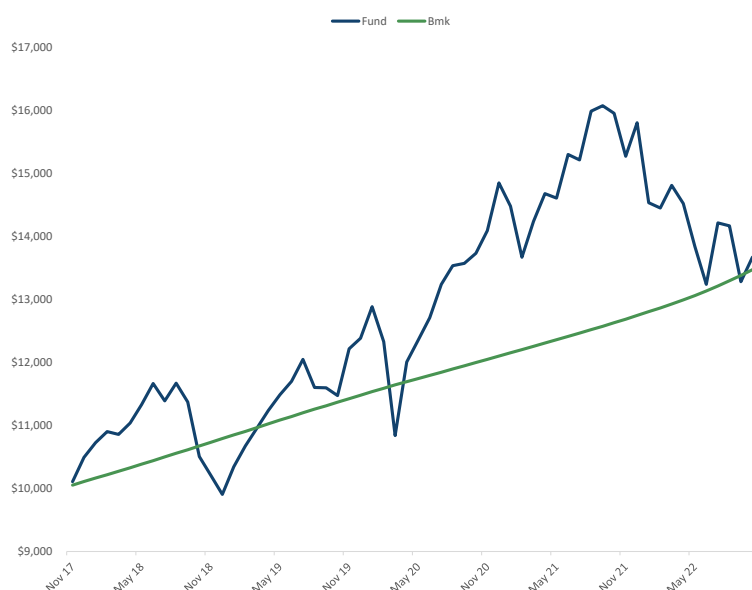
- The fund ended the month up 2.9% and slightly ahead of the index return and the wider share market.
- A number of annual shareholder meetings and investors days were held during the month, including Mainfreight and Fletcher Building who provided positive trading updates and reconfirmed earnings guidance.
- Pushpay Holdings announced it had received a takeover offer at NZ\$1.34 per share, which was supported by the company's Directors.
- Positions in Pushpay Holdings, Mainfreight and Waypoint Reit and Aristocrat Leisure performed notably and well.
- EROAD, Summerset and NextDC performed poorly and detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.94%	-3.83%	-14.32%	6.02%	6.46%	13.33%
Benchmark ²	0.69%	1.97%	6.68%	5.83%	6.15%	6.86%
Retail ³	2.83%	-4.13%	-15.25%	4.35%	4.85%	10.90%
S&P/NZX 50 ⁴	2.46%	-1.03%	-12.74%	2.38%	7.71%	12.26%

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.

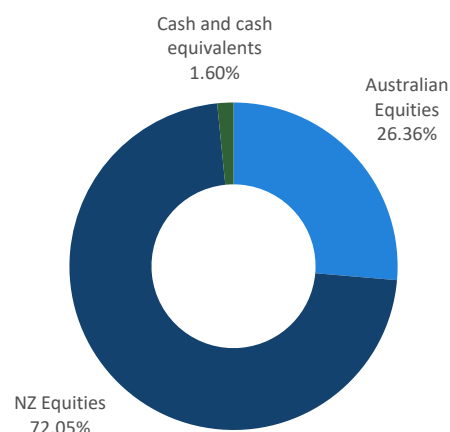
Overview

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:
Mainfreight Ltd	NEXTDC Ltd
Pushpay Ltd	EROAD Ltd
Aristocrat Leisure	Summerset Ltd

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

Top 10 Holdings			
Spark New Zealand Ltd	10.87%	Mainfreight Limited	6.48%
Infratil Limited	10.78%	Pushpay Holdings Ltd	6.46%
Contact Energy Limited	9.33%	Ingenia Communities	6.10%
EBOS Group Limited	9.09%	Fletcher Building Ltd	5.39%
Aristocrat Leisure Ltd	7.58%	Waypoint REIT	5.03%
Number of holdings			17

Market Commentary

Aside from the Chinese market, global equity markets were strong over the month although on a year-to-date basis are still down materially. The tech focused Nasdaq stands out, down 29.8% so far this year. Inflation and the response from central banks continues to be the main focus for markets. Inflation is showing no sign of slowing its rate of growth, in fact increasing for a number of economies. Cash rates were increased by the key Central Banks that had meetings during the month and that will continue in November with hikes expected from the US Federal Reserve, Bank of England and the Reserve Banks of Australia and New Zealand.

Fund Commentary

The fund ended the month up 2.9% after a very volatile period. The largest positive contributors to monthly performance were positions **Pushpay Holdings** (PPH), **Mainfreight** (MFT) and **Waypoint REIT** (WPR). PPH rose 13.6% following receiving a takeover offer at \$1.34 per share. Our view is the takeover price is inadequate and we look forward to meeting with the company post their earnings result in November and reviewing the independent valuation report. MFT increased by 12.8%. The company held and Investor Day that included a strong trading update, demonstrating ongoing customer wins, operating momentum, and network expansion. **Aristocrat Leisure** (ALL) rose 9% over the month in anticipation of a strong result announcement in November, with the stock buyback still operating and in response to the Global Gaming Expo (G2E) occurring in Las Vegas during October.

The negative contributors were our positions in **NextDC** (NXT), **EROAD** (ERD) and **Summerset** (SUM). ERD disappointed falling 18% during the month of October despite no company specific information being released. The company has work to do to regain investor confidence and to ensure the Coretex acquisition remains on track. SUM decreased by 10.2%. Residential property prices are decreasing and there is uncertainty around the outlook. As a result, sentiment is negative despite resilient operating performance to date. NXT fell 8.6% over the month without new information being released. Generally concerns about cost inflation and potential tenant incentives weighted against the stock while we await the November ASM update. (**Bold** denotes stocks held in the portfolio).

There were no material portfolio changes during the month.

Key Fund Facts

Distributions	Estimated annual fund charges (incl. GST)	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$75m
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 month.

Contact Us

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