

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 had a strong quarter on the back of lower-than-expected inflation in the United States and the prospect of smaller than expected increases in the Federal Reserve's funds rate.
- The United States S&P 500 index rose 7.1%, the Japanese Nikkei 225 index added 0.6%, the UK FTSE 100 index gained 8.1%, the Australian ASX 200 index increased 9.4% and the MSCI World index ended the quarter up 7.4%.
- The S&P/NZX 50 index ended the quarter up 3.8%.

Fund Highlights

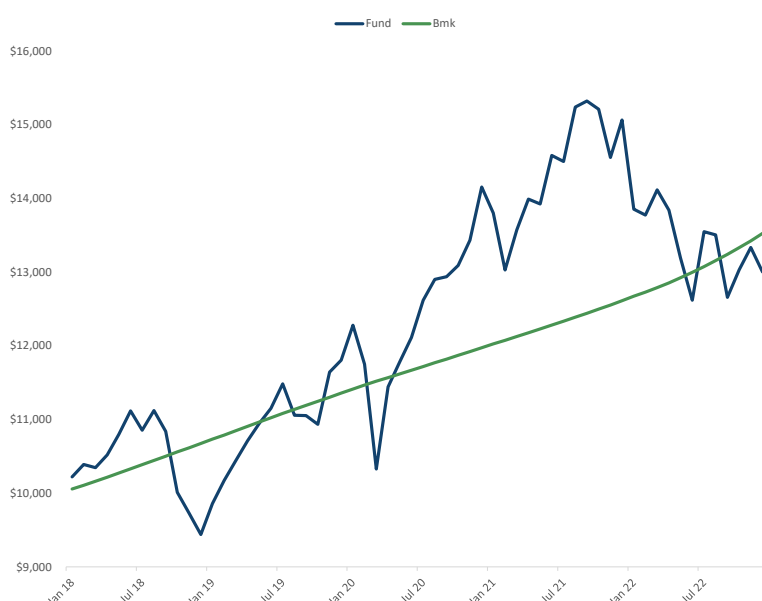
- The fund ended the quarter up 2.7%.
- A number of the fund's holdings reported earnings for the period ended September.
- Volatility was evident throughout all investment markets.
- Positions in Fisher & Paykel Healthcare, Pushpay and EBOS Group contributed to performance.
- Positions in EROAD, Aristocrat Leisure, and Summerset detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.49%	2.71%	-13.70%	3.27%	5.39%	12.56%
Benchmark ²	0.75%	2.14%	7.23%	5.99%	6.22%	6.88%
Retail ³	-2.57%	2.41%	-14.57%	1.72%	3.87%	10.21%
S&P/NZX 50 ⁴	-0.61%	3.79%	-11.25%	0.64%	7.31%	12.08%

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. 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.

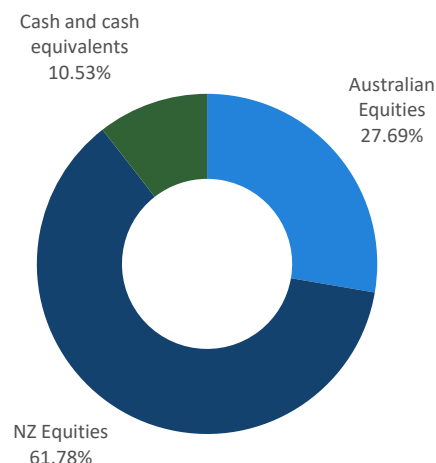
Overview

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:
Fisher & Paykel Healthcare	EROAD Ltd
Pushpay Holdings Ltd	Aristocrat Leisure Ltd
EBOS Group Ltd	Summerset Group

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

Top 10 Holdings			
Infratil Limited	11.11	Aristocrat Leisure Ltd	6.33
Contact Energy Limited	10.01	Mainfreight Limited	5.75
Spark New Zealand Ltd	9.97	Fisher & Paykel	5.56
Pushpay Holdings Ltd	6.88	NextDC Ltd	5.55
Ingenia Communities	6.65	Waypoint REIT	5.14
Number of holdings			16

Market Commentary

Global equity markets are jumping at any sign that interest rates won't peak as high as initially expected. United States inflation came in at 7.7% which was below what the market was expecting. This led to the Nasdaq leaping more than 7% and the S&P 500 more than 5% on the day. Despite what markets are thinking, inflation remains high and central banks are focused on getting on top of it and as a result cash rates continue to be increased. The US federal Reserve, the Bank of England, the European Central Bank and the Reserve Bank of New Zealand all increased their cash rates by 1.25% while the Reserve Bank of Australia increased their cash rate by 0.75%. The New Zealand official cash rate is now 4.25% and the RBNZ is signalling that it will peak at 5.5%.

Fund Commentary

The fund ended the month up 2.7% after a very volatile period. The largest positive contributors to quarterly performance were positions **Fisher & Paykel Healthcare** (FPH), **Pushpay** (PPH) and **EBOS Group** (EBO). FPH announced a stronger than expected result and rose 23.5% over the period. PPH rose 16.4% following receiving a takeover offer at \$1.34 per share. EBO rose 16.7% after the company held an investor day, followed by the announcement that it will be included in the MSCI Small Companies index.

The largest negative contributors were **EROAD** (ERD), **Aristocrat Leisure** (ALL), and **Summerset** (SUM). ERD decreased by 39.7% as the company produced soft operational performance, announced a strategic review alongside falling out of the S&P/NZX50 Index. ALL fell 6.3% (in AUD) despite an excellent result with strong profit growth (~22% YoY) as the market chose to focus on the company's mobile-games unit performance. SUM fell 17.9% as investors remain wary of its residential property link given falling house prices and increasing mortgage rates.

Portfolio changes of note included the addition of **Allkem** (AKE) and exit of **EBOS** (EBO). In addition to reductions in **Waypoint** (WPR), **Spark** (SPK) and **Fletcher Building** (FBU). (**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	\$72m
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

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