

Nikko AM Concentrated Equity Strategy

Monthly Update 30 April 2024

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 global equity markets fell over the month, reacting to the likely timing of rate cuts being pushed out as inflation continues to be sticky.
- The United States S&P 500 index fell 4.2%, the Japanese Nikkei 225 lost 4.9%, the UK FTSE 100 index gained 2.4%, the Australian ASX 200 index declined 2.9% and the MSCI World index ended the month down 1.8% (in local terms).
- The S&P/NZX 50 index ended the month down 1.2%.

Fund Highlights

- The fund ended the month down 2.15%.
- NextDC completed a AU\$1.3b capital raising to fund further data centre developments while a sell-down by a major shareholder in Worley presented an opportunity to add the stock to the fund.
- The fund's positions in Fisher & Paykel Healthcare, Worley and Infratil added value while positions in Ingenia Communities, SkyCity Entertainment and Aristocrat Leisure detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-2.15%	4.07%	7.94%	2.08%	6.80%	11.64%
Benchmark²	0.82%	2.49%	10.51%	8.16%	7.15%	7.24%
Retail³	-2.22%	3.75%	6.73%	0.75%	5.32%	9.58%
S&P/NZX50⁴	-1.22%	1.00%	0.36%	-1.27%	4.41%	9.70%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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

**Michael Sherrock,
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charter-holder and holds a Bachelor of Commerce degree from the University of Auckland.

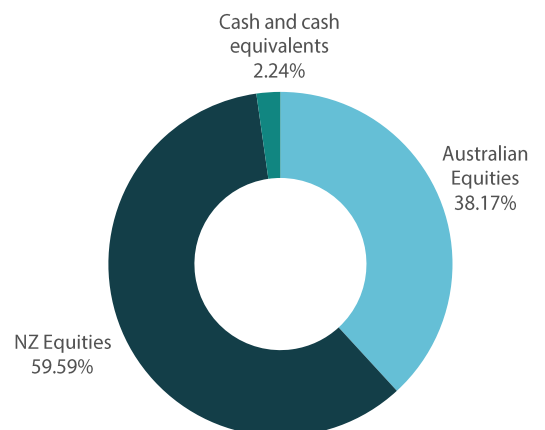
Overview

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*		Top 10 Holdings (% of fund)			
What Helped:	What Hurt:	NextDC	13.41	Aristocrat Leisure	6.36
Fisher & Paykel Healthcare	Ingenia Communities	Infratil	12.10	Fisher & Paykel	6.11
Worley	SkyCity Entertainment	Contact Energy	12.04	Ingenia Communities	5.96
Infratil	Aristocrat Leisure	Spark New Zealand	10.28	Waypoint REIT	5.45
		Summerset	7.01	Mainfreight	5.25
		Number of holdings			15

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

Market Commentary

While there was mixed economic data, sticky inflation continues to impact on markets with the likely timing of interest rate cuts by the US Federal Reserve pushed out. This led to 10-year bond yields rising materially over the month with the US 10-year rate rising from 4.2% to 4.68%, the Australian 10-year rate rising from 3.96% to 4.42% and the New Zealand 10-year rate rising from 4.54% to 4.94%. The pushing out of the timing of rate cuts and the increase in bond yields had a negative impact on equity markets. Amongst major market indices only the United Kingdom and Chinese markets ended in positive territory over the month. Geo-political tensions also weighed on markets with conflict in the Middle East continuing and the risk that it escalates across the region.

Fund Commentary

The largest positive contributors were positions in **Fisher & Paykel Healthcare** (FPH), **Worley** (WOR) and **Infratil** (IFT). FPH rose through the month on no specific news, ending up 11.0%. While WOR was down 9.9% (in AUD) over the month, a sell-down by a major shareholder in Worley presented an opportunity to add the stock to the fund. For the period the fund held WOR during the month it was up 4.9% (in AUD). IFT rose 0.3% on no specific news.

The largest negative contributors to the fund's return were from positions in **Aristocrat Leisure** (ALL), **SkyCity Entertainment** (SKC) and **Ingenia Communities** (INA). Despite ALL completing its acquisition of NeoGames it fell 7.2% (in AUD) on no other material news. INA was impacted by a downgrade from Lifestyle Communities (LIC) which operates in a similar market to INA along with a poor performance of the Australian real estate index. INA ended the month down 10.9% (in AUD). SKC continues to see executives leave the business as it works through regulatory issues and fines with the COO of Australia resigning during the month. Also announced was the appointment of a CEO of the business who will start in July. SKC fell 14.4% over the month.

Portfolio changes over the month included adding to the funds position in **NextDC** (NXT) through its capital raising while taking a new position in WOR. Positions in FPH, **Ramsay Healthcare** (RHC) and **Summerset** (SUM) were reduced.

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

Key Fund Facts

Estimated annual fund charges (incl. GST)		Hedging:	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.	Strategy Launch:	August 2006
Wholesale:	Negotiated outside of the unit price. 1.15%. refer PDS for more details.	Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$55.5m
Retail:		Restrictions:	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.29%/0.29%
Distributions:					
Wholesale:	Calendar quarter				
Retail:	March and September				

Compliance

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

Contact Us

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