

Nikko AM Concentrated Equity Strategy

Monthly Update 31 January 2025

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 performed strongly over January with the inflation, interest rate and economic growth outlook continuing to be positive drivers along with corporate earnings releases and the inauguration of President Trump also having an impact.
- The United States S&P 500 index rose 2.7%, the Japanese Nikkei 225 declined 0.8%, the UK FTSE 100 index jumped 6.1%, the Australian ASX 200 index added 4.6% and the MSCI World index ended the month up 3.3% (in local terms)
- The S&P/NZX 50 index ended the month down 0.9%.

Fund Highlights

- The fund ended the month up 1.5%.
- It was a relatively quiet period for news flow during January, but several companies provided updates on earnings guidance for the period ending December which will be reported in February.
- The fund's positions in Ingenia Communities, Arcadium Lithium and Aristocrat Leisure added value while positions in Infratil, Ryman Healthcare and Contact Energy detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.54%	2.47%	14.10%	5.60%	5.85%	10.72%
Benchmark²	0.75%	2.29%	10.17%	9.33%	7.73%	7.36%
Retail³	1.43%	2.18%	12.63%	4.41%	4.49%	8.81%
S&P/NZX50⁴	-0.88%	2.90%	10.30%	3.86%	2.86%	9.54%

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 charterholder and holds a Bachelor of Commerce degree from the University of Auckland.

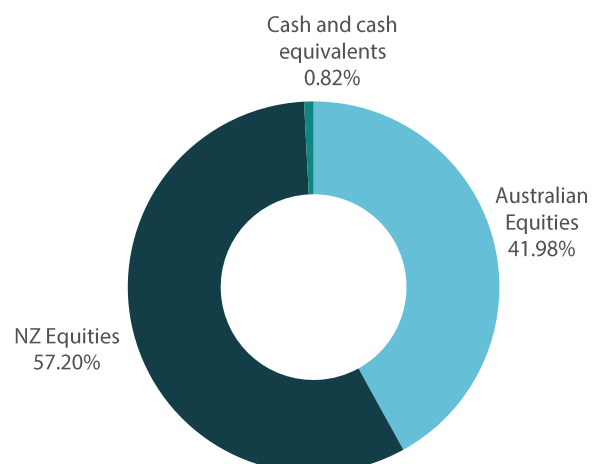
Overview

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:	Contact Energy	10.11	Spark New Zealand	7.53
Ingenia Communities	Infratil	NextDC	9.42	Ingenia Communities	7.29
Arcadium Lithium	Ryman Healthcare	Infratil	8.87	Aristocrat Leisure	6.25
Aristocrat Leisure	Contact Energy	Summerset	8.23	Waypoint REIT	5.72
		Worley	7.84	Arcadium Lithium	5.46
Number of holdings					15

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

Market Commentary

Most global equity markets delivered strong returns during January as inflation, interest rate and economic growth outlooks continue to be positive drivers. January also saw the inauguration of President Trump and the market will keep an eye on how policies relating to immigration, healthcare, climate change / renewable energy / fossil fuels and tariffs are implemented and resulting impacts. Technology stocks were impacted by the almost overnight arrival of the Chinese developed artificial intelligence (AI) engine DeepSeek which purports to require a fraction of the cost to develop and run compared to Western AI engines. The New Zealand equity market was somewhat of an outlier, delivering a negative return of 0.9%. The key driver of the New Zealand negative return was the poor performance of several companies that have large weights in the S&P/NZX 50 index with Infratil, Fisher & Parkel Healthcare, Ryman Healthcare and Contact Energy delivering negative returns of 11.0%, 2.1%, 7.4% and 2.1% respectively.

Fund Commentary

The largest positive contributors to the fund's return were positions in **Ingenia Communities (INA)**, **Arcadium Lithium (LTM)** and **Aristocrat Leisure (ALL)**. Following a weak performance in December, INA had a very strong month in January after upgrading its earnings guidance. INA rose 25.6% (in AUD) over the month. LTM continues to move higher as it meets further requirements for the takeover by Rio Tinto (RIO). Following shareholder approval in December, LTM / RIO received US regulatory approval in January. LTM rose 12.3% (in AUD) in January. On no specific news, ALL continued its excellent recent performance with another 10.6% (in AUD) return over January.

The largest negative contributors to the fund's return were from positions **Infratil (IFT)**, **Ryman Healthcare (RYM)** and **Contact Energy (CEN)**. Following a strong run over the last 12 months, IFT gave up some gains as it was impacted by investors nervousness around what impact DeepSeek would have on datacentre demand. IFT fell 11.0% over the month. After a strong December quarter, CEN gave up some of the gains, falling 2.1% while RYM continues to be volatile and traded down 7.4% on no specific news.

Portfolio changes over the month included adding to our positions in CEN, IFT, **Merdian Energy (MEL)** and RYM. The funds positions in ALL, INA and Worley 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.	Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$52.2m
Retail:	1.15%. refer PDS for more details.	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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