

Nikko AM Concentrated Equity Strategy

Monthly Update 31 October 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 key international equity markets were negative over the month with rising bond yields providing a head wind.
- The United States S&P 500 index fell 1.0%, the Japanese Nikkei 225 rose 3.1%, the UK FTSE 100 index declined 1.5%, the Australian ASX 200 index lost 1.3% and the MSCI World index ended the month down 1.1% (in local terms).
- The S&P/NZX 50 index ended the month up 1.7%.

Fund Highlights

- The fund ended the month up 3.7%.
- Arcadium Lithium received a takeover bid from Rio Tinto at a price around 100% above where it was trading.
- The fund's positions in Arcadium Lithium, Ryman Healthcare and Contact Energy added value while positions in NextDC, Worley and Waypoint REIT detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	3.75%	3.65%	22.72%	1.54%	7.81%	11.68%
Benchmark²	0.80%	2.47%	10.45%	9.01%	7.56%	7.34%
Retail³	3.51%	3.22%	21.05%	0.37%	6.27%	9.66%
S&P/NZX50⁴	1.74%	2.19%	18.41%	-0.36%	4.00%	9.95%

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.

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.

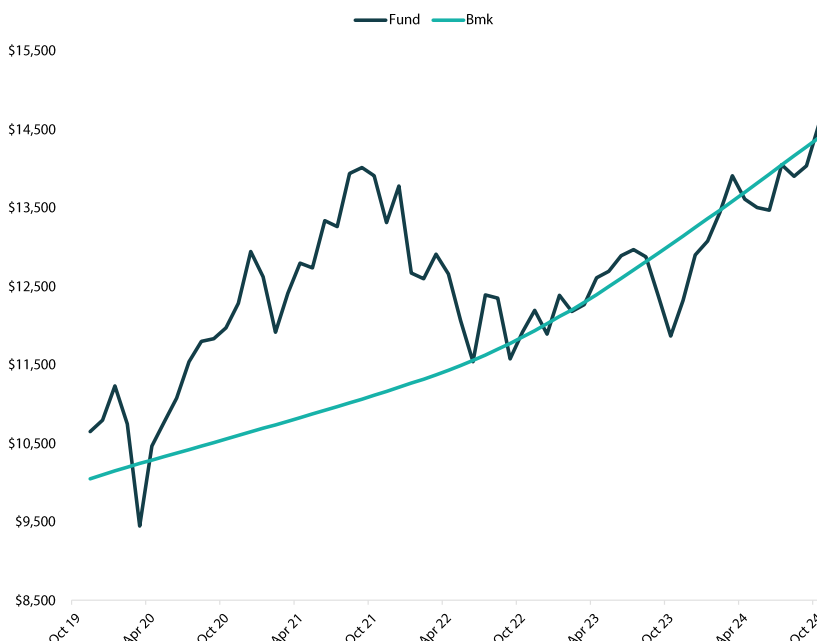
Overview

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.

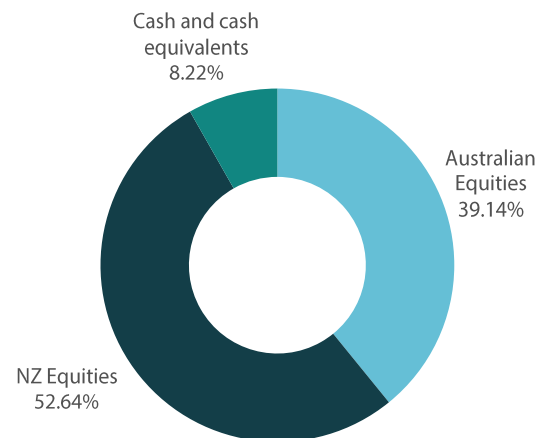
Objective

The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

Five-Year Cumulative Performance, \$10,000 invested^{1,2}



Asset Allocation



Contribution To Performance*		Top 10 Holdings (% of fund)			
What Helped:	What Hurt:	Infratil	11.27	Ingenia Communities	6.05
Arcadium Lithium	NextDC	NextDC	10.24	Aristocrat Leisure	5.65
Ryman Healthcare	Worley	Contact Energy	9.81	Waypoint REIT	5.47
Contact Energy	Waypoint REIT	Summerset	8.01	Spark New Zealand	5.32
		Worley	6.93	Ryman Healthcare	4.81
		Number of holdings			15

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

Market Commentary

Most key international equity markets were negative over the month with rising bond yields providing a head wind. Markets are also trying to assess the impact of the pending election in the United States. Also, earnings results are starting to come out in the United States for the period ending September. The US 10-year bond yield rose 50bps over the month as better economic data fed through to likely slower or smaller rate cuts than had previously been expected. This move flowed through to both the New Zealand and Australian 10-year bond yields, up 24bps and 53bps respectively. Assisting the New Zealand equity market was the Reserve Bank of New Zealand continuing its rate cuts, dropping the Official Cash Rate by 50bps during the month.

Fund Commentary

The largest positive contributors to the fund's return were positions in **Arcadium Lithium** (LTM), **Ryman Healthcare** (RYM) and **Contact Energy** (CEN). During the month LTM received a takeover bid from Rio Tinto at US\$5.85 per share which the LTM board has endorsed. On the back of this, LTM rose 94.1% (in AUD) over the month. RYM rose 15.6% over the period as it continues to benefit from investors rotating into interest rate sensitive stocks. After several months of relatively weak performance, CEN rose 5.1% on no specific news.

The largest negative contributors to the fund's return were from positions in **NextDC** (NXT), **Worley** (WOR) and **Waypoint REIT** (WPR). NXT fell 6.2% (in AUD) as it continues to digest its \$550m capital raise from September while WOR gave up 5.6% (in AUD) on no specific news. After a strong September quarter where WPR returned 23.6%, WPR fell 5.7% in October on no specific news.

Portfolio changes over the month included adding to our positions in WOR, **Infratil** (IFT), **Ingenia Communities** (INA), **Meridian Energy** (MEL), NXT and WPR. The funds position in **Summerset** (SUM) was reduced while the position in Auckland International Airport (AIA) was exited. (**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:	\$53m
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.

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