

Nikko AM Concentrated Equity Strategy

Monthly Update 31 May 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

- Global equity markets bounced back from a relatively weak performance in April with a solid performance in May as company earnings results gave support to the market.
- The United States S&P 500 index rose 4.8%, the Japanese Nikkei 225 gained 0.2%, the UK FTSE 100 index increased 1.6%, the Australian ASX 200 index added 0.9% and the MSCI World index ended the month up 3.7% (in local terms).
- The S&P/NZX 50 index ended the month down 0.8%.

Fund Highlights

- The fund ended the month down 0.8%.
- Earnings guidance updates and company results for the period ended 31 March dominated news flow and share price performance.
- A deal to keep the Tiwai Point Aluminium smelter open for another 20 years was agreed which provided a boost to Mercury, Meridian Energy and Contact Energy who will supply electricity to the smelter.
- The funds positions in Aristocrat Leisure, Contact Energy and NextDC added value while positions in Spark, Summerset and Infratil detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-0.79%	0.43%	6.40%	1.97%	6.17%	11.43%
Benchmark²	0.85%	2.55%	10.53%	8.30%	7.22%	7.26%
Retail³	-0.87%	0.16%	5.20%	0.56%	4.69%	9.39%
S&P/NZX50⁴	-0.75%	1.31%	1.31%	-0.44%	4.03%	9.72%

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.

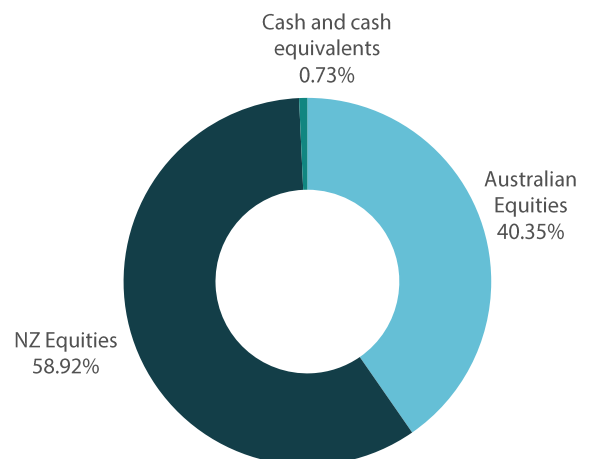
Overview

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	12.99	Summerset	7.14
Aristocrat Leisure	Spark	Contact Energy	12.69	Ingenia Communities	5.68
Contact Energy	Summerset	Infratil	11.68	Waypoint REIT	5.64
NextDC	Infratil	Spark	9.30	Mainfreight	5.59
		Aristocrat Leisure	7.33	Fisher & Paykel Healthcare	5.01
		Number of holdings			15

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

Market Commentary

Company earnings was a dominant factor in global equity market performances over May, along with a recovery of a weaker performance in April. The tech heavy Nasdaq index was a strong performer, up 6.9% as the likes of Nvidia, Apple, Meta and Microsoft continued to push higher on good results, up 26.9%, 12.9%, 8.5% and 6.6% respectively over the month. In New Zealand the Reserve Bank's Monetary Policy statement had a hawkish tone, pushing out the timing of rate cuts to the back end of 2025 and also noting that they considered raising the Official Cash Rate. The New Zealand government delivered its budget which had no material impact on stocks or the market in general.

Fund Commentary

The largest positive contributors were positions in **Aristocrat Leisure** (ALL), **Contact Energy** (CEN) and **NextDC** (NXT). ALL delivered a very strong result, well ahead of market expectations which saw the stock up 13.8% (in AUD). CEN rose 6.3% as it benefited from the announcement that the Tiwai Point Aluminium smelter would stay open for another 20 years. NXT rose 6.6% (in AUD) as it continues to benefit growth in cloud storage and artificial intelligence data storage requirements.

The largest negative contributors to the fund's return were from positions in **Spark** (SPK), **Summerset** (SUM) and **Infratil** (IFT). SUM fell 14.4%, mainly impacted by a seller of more than 35 million RYM shares weighing on the retirement sector stocks. SPK downgraded earnings guidance by ~4% but did maintain its dividend guidance which puts the stock on an attractive yield. The earnings downgrade led to SPK falling 12.5% over the month. IFT released an earnings result in line with expectations but there was some confusion around its outlook statement which on the surface looks a little soft compared to market expectations. IFT ended the month down 2.9%.

Portfolio changes over the month included adding to the funds position in **Worley** (WOR) while taking a new position in **EBOS** (EBO). Positions in **Fisher & Paykel Healthcare** (FPH), **IFT** and **NXT** 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:	\$44.6m
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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