

Nikko AM Concentrated Equity Strategy

Monthly Update 28 February 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

- Global equity markets were mixed over February with European markets up while most other markets declined. Drivers were earnings results, tariffs proposed by the US and interest rate cuts.
- The United States S&P 500 index fell 1.4%, the Japanese Nikkei 225 dropped 6.1%, the UK FTSE 100 index rose 1.6%, the Australian ASX 200 index lost 3.8% and the MSCI World index ended the month down 0.8% (in local terms).
- The S&P/NZX 50 index ended the month down 3.0%.

Fund Highlights

- The fund ended the month down 5.1%.
- It was a very busy month with news flow as companies reported their earnings results for the period ending December 2024.
- Ryman Healthcare surprised the market with a \$1b capital raising at a 29% discount to the last traded price in order to materially reduce debt and gearing levels.
- The fund's positions in Worley, Contact Energy and ResMed added value while positions in Spark, Ryman Healthcare and NextDC detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-5.12%	-4.25%	5.30%	3.97%	5.67%	9.78%
Benchmark²	0.67%	2.19%	10.03%	9.41%	7.77%	7.37%
Retail³	-5.18%	-4.47%	4.00%	2.80%	4.24%	7.91%
S&P/NZX50⁴	-2.98%	-3.45%	8.14%	2.56%	3.04%	8.95%

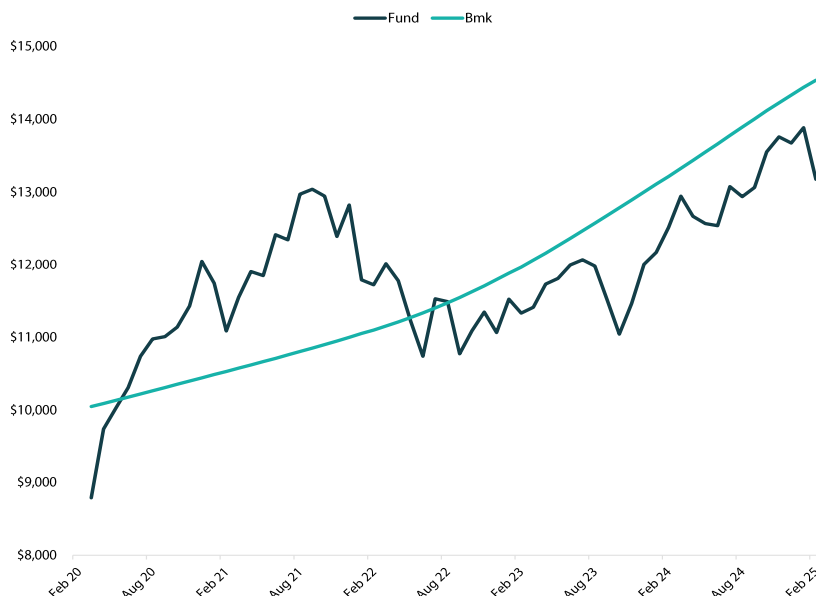
1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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.

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.

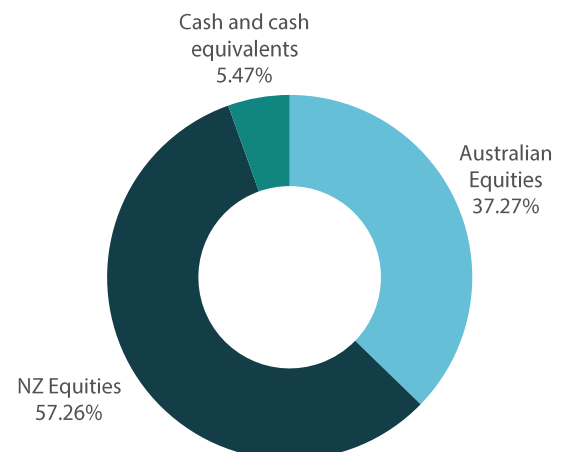
Overview

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:	Infratil	9.23	Spark New Zealand	6.49
Worley	Spark	Contact Energy	9.18	Ingenia Communities	6.34
Contact Energy	Ryman Healthcare	NextDC	9.04	Waypoint REIT	6.04
ResMed	NextDC	Worley	8.82	Meridian Energy	5.96
		Summerset	8.30	Arcadium Lithium	5.77
		Number of holdings	15		

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

Market Commentary

Global equity markets were mixed over February with European markets up while most other markets declined, driven by earnings results, proposed tariffs and interest rate cuts. President Trump threatened wide ranging tariffs with likely rates of 25% on Canadian and Mexican goods and an additional 10% on Chinese goods. Further tariffs on other markets and goods were threatened and are likely. New Zealand's largest listed stock, Fisher & Paykel Healthcare, will be impacted given its manufacturing base in Mexico for goods sold into the United States market. Rate cuts by central banks around the world continue with the Reserve Bank of Australia delivering its first rate cut of the cycle. The Reserve Bank of New Zealand also cuts rates with the Official Cash rate 1.75% lower than its peak of 5.5%. Earnings results were also a driver of stock specific returns over the month. The last day of February saw elevated trading across the NZX as MSCI index adjustments occurred. As part of these adjustments Contact Energy was added to the MSCI standard index while Mercury was removed.

Fund Commentary

The largest positive contributors to the fund's return were positions in **Worley (WOR)**, **Contact Energy (CEN)** and **ResMed (RMD)**. WOR produced a solid earnings result but more importantly for investors was that they reconfirmed their full year earnings guidance along with announcing a \$500m share buyback. WOR rose 5.3% (in AUD) over the month. CEN released its first half 2025 result during the month with little that surprised the market. The key driver of the share price movement during the period was CEN's addition to the MSCI standard index which resulted in a lot of forced buying by funds that track the index. CEN ended the month up 1.8%. RMD was added to the portfolio during the month and by month end the stock was trading 2.0% ahead of our purchase price.

The largest negative contributors to the fund's return were from **Spark (SPK)**, **Ryman Healthcare (RYM)** and **NextDC (NXT)**. RYM surprised the market with a large \$1b capital raising to reduce debt and gearing levels. RYM also announced a trading update that was worse than the market was anticipating, citing challenging market conditions, heightened competition and impacts from changes to pricing model and organisational restructure. The capital raise was at a large 29% discount to last traded price and the stock fell 23.9%. SPK fell heavily following the fourth downgrade / miss in a row as revenue was challenged from the economic slowdown and competition along with cost out not materialising in the half as investors expected. SPK dropped 22.0% over the month. While NXT delivered a result that contained no major negatives, the stock drifted lower, down 10.2% (in AUD) over the month.

Portfolio changes over the month included adding to our positions in **Infratil (IFT)**, **Meridian Energy (MEL)**, **Mainfreight (MFT)** and **Spark (SPK)**. Our position in RYM was added to as part of the capital raising. The funds positions in **Aristocrat Leisure (ALL)**, **Contact Energy (CEN)** and **Ingenia Communities (INA)**. The fund's position in Arcadium Lithium was divested ahead of the takeover completing in March.

(**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:	\$49.2m
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

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.