

# Nikko AM Concentrated Equity Strategy

Monthly Update 30 November 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 positive over the month as earnings results, the US election result and central banks cutting rates impacted on markets.
- The United States S&P 500 index rose 5.7%, the Japanese Nikkei 225 fell 2.2%, the UK FTSE 100 index gained 2.2%, the Australian ASX 200 index added 3.8% and the MSCI World index ended the month up 4.1% (in local terms).
- The S&P/NZX 50 index ended the month up 3.4%.

## Fund Highlights

- The fund ended the month up 1.5%.
- A number of companies released earnings results for the period ending 30 September during the month.
- Spark was removed from the MSCI standard index while Infratil was added to the index.
- The fund's positions in Aristocrat Leisure, Contact Energy and Ingenia Communities added value while positions in Sky Network Television, Ryman Healthcare and Arcadium Lithium detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	1.53%	6.35%	20.00%	3.56%	6.79%	11.51%
<b>Benchmark<sup>2</sup></b>	0.76%	2.39%	10.38%	9.13%	7.62%	7.35%
<b>Retail<sup>3</sup></b>	1.42%	5.89%	18.38%	2.37%	5.33%	9.51%
<b>S&amp;P/NZX50<sup>4</sup></b>	3.40%	5.24%	16.21%	1.74%	3.68%	10.23%

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.

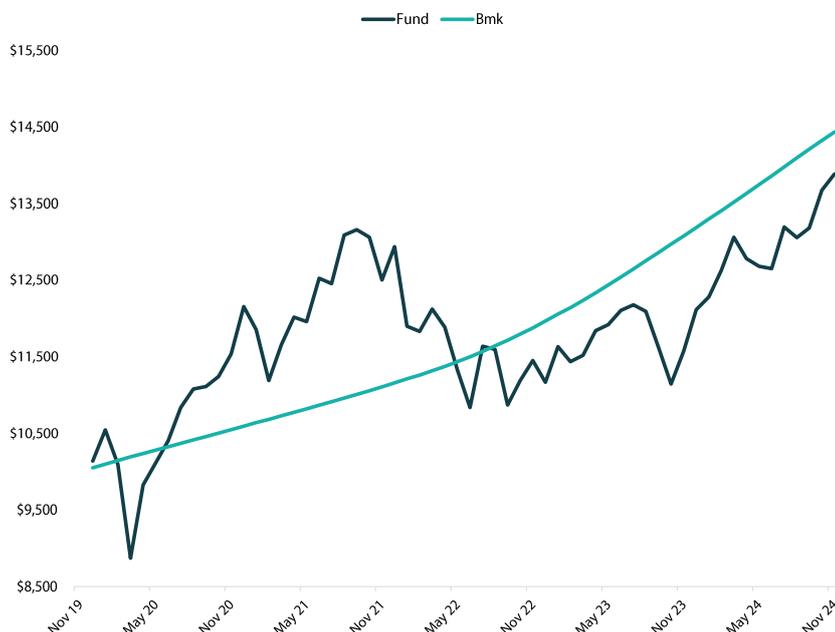
## Overview

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.

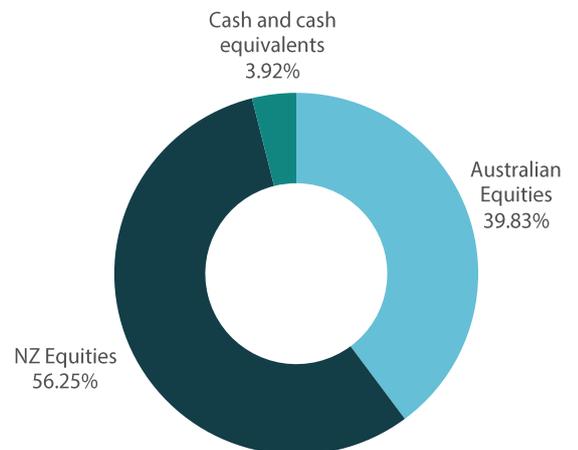
## Objective

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<sup>1,2</sup>



## Asset Allocation



Contribution To Performance*		Top 10 Holdings (% of fund)			
<b>What Helped:</b>	<b>What Hurt:</b>	Infratil	10.73	Spark New Zealand	7.38
Aristocrat Leisure	Sky Network Television	Contact Energy	10.14	Aristocrat Leisure	6.14
Contact Energy	Ryman Healthcare	NextDC	10.01	Ingenia Communities	5.91
Ingenia Communities	Arcadium Lithium	Summerset	8.18	Waypoint REIT	5.71
*Absolute contribution – not relative to S&P/NZX50 Index		Worley	7.44	Ryman Healthcare	5.17
<b>Number of holdings</b>					<b>15</b>

## Market Commentary

Most key international equity markets were positive over the month as earnings results, the US election result and central banks cutting rates impacted on markets. After a long build up the United States election arrived and Donald Trump was elected President. Markets starting to focus on potential policy changes that would impact immigration, healthcare, climate change / renewable energy / fossil fuels and tariffs. Earnings results were also a focus of markets. The local market was dominated by results from property securities along with other companies of particular interest such as Ryman Healthcare, Fisher & Paykel Healthcare and Mainfreight. Central banks also continued cutting rates with the Reserve Bank of New Zealand delivering their third cut in as many meetings, dropping rates by another 50bps. The rate cuts have provided a boost to the S&P / NZX 50, up more than 12% since the start of July.

## Fund Commentary

The largest positive contributors to the fund's return were positions in **Aristocrat Leisure** (ALL), **Contact Energy** (CEN) and **Ingenia Communities** (INA). ALL continued its recent strong run, up 10.8% (in AUD), helped by a solid FY24 earnings result. After several poor months of share price performance from June through to September, CEN added to its October bounce back by adding another 4.8% in November. INA provided a solid update at its Annual Shareholder Meeting highlighting strong sales and settlement numbers so far this year. This helped drive INA 4.8% (in AUD) higher over the month.

The largest negative contributors to the fund's return were from positions **Sky Network Television** (SKT), **Ryman Healthcare** (RYM) and **Arcadium Lithium** (LTM). SKT held its Annual Shareholder Meeting during the month where it reconfirmed its earnings and dividend guidance despite noting the challenging trading conditions due to the weak economy. SKT continues to negotiate with the New Zealand Rugby Union around renewing its content rights which may be taking longer than some would have expected. SKT drifted lower over the month, ending down 10.6%. RYM announced its half year result where they announced their cashflow positive target for the year is unlikely to be met and the target has been pushed out into next year. RYM ended the period down 6.4%. After jumping nearly 100% last month following the takeover approach by Rio Tinto, LTM took a breather, pulling back 2.4% (in AUD).

Portfolio changes over the month included adding to our positions in **Mainfreight** (MFT), **Meridian Energy** (MEL), RYM, SKT, **Spark** (SPK) and **Worley** (WOR). The funds position in **Infratil** (IFT) and INA were reduced. (Bold denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Hedging:</b>	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.	<b>Strategy Launch:</b>	August 2006
<b>Wholesale:</b>	Negotiated outside of the unit price. 1.15%. refer PDS for more details.	<b>Exclusions:</b>	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy size:</b>	\$53.7m
<b>Retail:</b>		<b>Restrictions:</b>	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions:</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				

## Compliance

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

## Contact Us

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