

Nikko AM Wholesale Conservative Fund

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM NZ). In New Zealand we actively manage around NZ\$5 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms. We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Fund launch

August 2016

Investment objective

To achieve a return which exceeds the weighted composite benchmark return by 1.00% p.a. over a rolling three year period before fees, expenses and taxes (if any).

Benchmark

Benchmark performance is calculated on a weighted composite of the relevant sector indices.

Distributions

Generally does not distribute but may do so at the Manager's discretion.

Currency management

Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation.

Trustee

Public Trust

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

Buy/sell spread

0.0473% / 0.0473%

Structure

The Fund vehicle is a NZ domiciled Portfolio Investment Entity (PIE) which is priced daily. Investors elect their own Prescribed Investor Rate. The Fund invests directly into PIEs for the New Zealand sectors and either directly or indirectly via an appropriate vehicle(s) for the global sectors. Information is provided to the IR and investors on an annual basis.

Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund. Nikko AM NZ as manager will directly meet costs required for the operation of the Nikko AM NZ funds, including, but not limited to, trustee fees, custody and sub-custodial fees, and administration fees (All administration fees for underlying Nikko AM funds will be met by the Manager). There is no investment management fee charged to the Nikko AM Wholesale Conservative Fund by other Nikko AM NZ funds forming the Nikko AM Wholesale Conservative Fund composite. Management fees and administration costs charged by JP Morgan Alternative Asset Management Inc (JPMAAM) are included in the unit price of the Nikko AM Wholesale Multi-Strategy Fund that the Nikko AM Wholesale Conservative Fund invests in. Contact Nikko AM NZ for more details.

Performance fees (if any) are recognised in the unit price of the Conservative Fund for the following sector funds:

- Nikko AM Wholesale Option Fund – 15% of returns in excess return over benchmark, accrued on a daily basis, payable annually, subject to recovery of any previous period negative returns before entitlement.
- Nikko AM Wholesale Multi-Strategy Fund (indirectly via investment in JPM Multi-Strategy Fund II, Ltd). A performance fee of 10% of US dollar returns above US 3-month T-Bill after all fees accrued on a monthly basis, payable annually, subject to recovery of any previous period negative returns before entitlement, is charged by JP Morgan Alternative Asset Management Inc in the JPM Multi-Strategy Fund II, Ltd. There are no direct charges or fees in the Nikko AM Wholesale Multi-Strategy Fund.

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Performance (NZD gross returns)

| | Fund | Benchmark | Excess |
|--------------|-------|-----------|--------|
| 1 month | 1.11% | 0.99% | 0.12% |
| 3 months | 3.05% | 2.61% | 0.43% |
| 6 months | 2.75% | 2.73% | 0.02% |
| 1 year | | | |
| 2 years (pa) | | | |
| 3 years (pa) | | | |
| 5 years (pa) | | | |

Fund size

NZ\$2.4 million

Compliance

The Fund complied with its investment mandate during the month.

Asset allocation

| Sector | Fund | Benchmark |
|---------------------|-------|-----------|
| NZ Cash Fund | 10.0% | 10.0% |
| NZ Bond Fund | 14.9% | 15.0% |
| Corporate Bond Fund | 10.0% | 10.0% |
| Option Fund | 5.0% | 5.0% |
| Global Bond Fund | 29.9% | 30.0% |
| Core Equity Fund | 7.5% | 7.5% |
| Property Fund | 5.0% | 5.0% |
| Global Equity Funds | 12.7% | 12.5% |
| Multi-Strategy Fund | 5.0% | 5.0% |

¹ Global Bond Fund 100% hedged

² Global equities 69% hedged on gross basis.

Currency exposure

Percentage of the Fund held in unhedged foreign assets: 7.0%

Sector performance (NZD gross returns)

| | 1 month | | 3 months | | 1 year | | 3 years p.a. | | 5 years p.a. | |
|---------------------|---------|--------|----------|--------|--------|--------|--------------|--------|--------------|--------|
| | Fund | B'mark | Fund | B'mark | Fund | B'mark | Fund | B'mark | Fund | B'mark |
| NZ Cash Fund | 0.25% | 0.17% | 0.78% | 0.48% | | | | | | |
| NZ Bond Fund | 0.78% | 0.79% | 2.36% | 2.08% | | | | | | |
| Corporate Bond Fund | 0.67% | 0.79% | 2.30% | 2.08% | | | | | | |
| Option Fund | 1.63% | 0.50% | 3.59% | 1.49% | | | | | | |
| Global Bond Fund | 0.69% | 0.76% | 1.68% | 1.77% | | | | | | |
| Core Equity Fund | 2.52% | 2.53% | 6.89% | 5.14% | | | | | | |
| Property Fund | 1.19% | 1.30% | 0.90% | 0.39% | | | | | | |
| Global Equity Funds | 2.29% | 2.01% | 8.11% | 7.92% | | | | | | |
| Multi-Strategy Fund | 0.60% | 0.37% | 1.72% | 1.11% | | | | | | |

Indices used:

NZ Bond Fund – Bloomberg NZ Bond Govt 0+ Yr Index

Option Fund – Bloomberg NZBond Bank Bill Index+ 4.0% p.a.

Multi-Strategy Fund – Bloomberg NZBond Bank Bill Index + 2.5% p.a.

Global Bond Fund – Bloomberg Barclays Global Aggregate Index (100% hedged into NZD)

Property Fund – S&P/NZX All Real Estate (Industry Group) Gross Index with Imputation Credits

Global Equities – MSCI ACWI, with net dividends reinvested unhedged in NZD and MSCI ACWI, with net dividends reinvested 139% hedged to NZD

Corporate Bond Fund – Bloomberg NZ Bond Govt 0+ Yr Index

Core Equity Fund – S&P/NZX 50 Index Gross with Imputation Credits