

Nikko AM Conservative Strategy

Monthly Update 30 April 2025

Assets are held in the Nikko AM Wholesale NZ Conservative Fund. The Nikko AM Conservative Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM Conservative Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- April was infamous example of how volatile global markets can be – with the Volatility Index at levels last seen in the global financial crises of ~2008 and COVID-19 lockdowns.
- Defensive stocks outperformed in April, with consumer staples and utilities leading the way. Energy was far and away the weakest sector, down over 10%, and is one of only two sectors (Materials) that have fallen over the last 12-month period. Information technology had a solid month amidst the volatility, but it is the weakest sector on a year-to-date basis, down over 10%.

Fund Highlights

- All of the growth asset classes (equities and listed property) were down in absolute terms for the month.
- The top global equity contributors to performance were 3i Group, Saab, Constellation Software and Wolters Kluwer. Notably, all four companies are listed outside the US.
- Bonds acted as something of a buffer which muted some of the weakness in equity markets. The domestic bond funds outperformed - thanks to the long duration positioning which benefited from the fall in interest rates.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale¹	0.09%	-0.95%	7.39%	4.69%	3.83%	
Benchmark²	0.10%	-0.54%	6.77%	4.27%	3.08%	
Retail³	-0.01%	-1.09%	6.53%	3.91%	3.19%	
KiwiSaver³	-0.04%	-1.15%	6.33%	3.86%	3.15%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any). Based on actual calendar periods.

2. Benchmark: Weighted composite of the benchmarks for the underlying sector funds. See overleaf. No tax or fees

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

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



Portfolio Manager

Alan Clarke,
Portfolio Manager

Responsible for providing overall management of the diversified funds and for managing external investment



managers. Alan has over 20 years' experience in investment management as both an analyst and portfolio manager. Prior to starting at Nikko AM, Alan spent 17 years at ANZ Investments and has also held roles at Theta Capital Management in Amsterdam and Morley Asset Management in London. Joined in 2023.

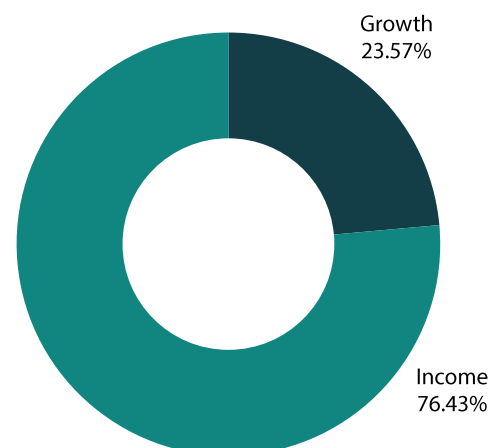
Overview

This fund has a diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.

Objective

The fund aims to outperform the benchmark return by 1.0% per annum before fees, expenses, and taxes over a rolling three-year period.

Asset Allocation



Sector Performance

	Month		3 months		1 year		3 years p.a.		Asset Allocation	
	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
NZ Cash Fund	0.34%	0.30%	1.10%	0.96%	5.68%	4.99%	5.38%	4.78%	13.77%	15.00%
NZ Bond Fund	1.16%	1.12%	2.04%	1.86%	9.70%	8.46%	5.10%	3.93%	20.16%	20.00%
NZ Corporate Bond Fund	0.93%	0.77%	1.98%	1.63%	9.72%	8.91%	5.96%	5.55%	11.11%	11.00%
Global Bond Fund	0.68%	0.89%	1.16%	1.61%	7.63%	6.85%	2.95%	2.25%	31.40%	31.00%
Core Equity Fund	-2.92%	-2.99%	-9.40%	-8.17%	-1.19%	0.29%	1.52%	0.88%	2.96%	3.00%
Concentrated Equity Fund	-2.60%	0.68%	-12.86%	2.08%	-4.46%	9.72%	0.90%	9.56%	2.94%	3.00%
Property Fund	-1.77%	-2.12%	-7.82%	-8.00%	-4.20%	-6.16%	-4.92%	-5.71%	2.82%	3.00%
Global Equity Unhedged Fund	-4.25%	-3.68%	-10.14%	-8.20%	11.65%	11.52%	17.08%	13.61%	7.22%	7.00%
Global Equity Hedged Fund	-1.14%	-0.37%	-7.76%	-5.60%	9.82%	10.06%	11.97%	8.69%	7.62%	7.00%

The benchmark for this strategy is a weighted composite of the benchmarks of the underlying sector funds. Details can be found in the Statement of Investment Policy and Objectives available at www.nikkoam.co.nz

Market Commentary

April 2025 was a remarkable month for markets and will join a growing list of infamous examples of how volatile global markets can be. Global equities were down over 10% mid-month, but finished April only slightly lower, while bonds posted solid gains. The MSCI ACWI (NZD Hedged) was down -0.4% but is still up over 10% on a rolling 1-year basis. The NZ Dollar moved higher, particularly against the US dollar (up to US\$0.594), meaning the MSCI ACWI Index (NZD unhedged) was down -3.5% (+11.3% rolling 1-yr). Global bonds posted a solid gain over the month of April, the Bloomberg Global Agg Index (NZD Hedged) advanced 0.9% for the month, while the NZ Composite Bond Index was up 1.1%. The much wider scope, and larger size, of the new US Administrations tariffs announced April 2nd ("Liberation Day") caused a brief, but large, sell-off in equities all around the world. The Volatility Index ("VIX" or "fear index") spiked to levels not seen since the early period of the Covid-19 lockdowns and the global financial crisis. As tariff negotiations between the US and multiple other countries, and various product/sector/country exemptions were announced, sentiment swiftly recovered. President Trump announcing on X that tariffs would be paused for 90 days led to equity markets roaring higher. Exactly one week on from "Liberation Day" the S&P500 was up more than 9.5%, the largest one-day rally since Oct 2008 – the midst of the global financial crisis. US GDP came out negative for the first quarter of 2025, down -0.3%, but this was mostly driven by a surge in imports in anticipation of tariffs. Other components were solid, for example real final sales to private domestic purchasers – a gauge of underlying economic strength – was +3.0%, slightly up versus the prior quarter. In the Eurozone consumer confidence declined further, and as expected, the European Central Bank (ECB) lowered its policy rates by 25 basis points after their April meeting. On a sector basis some of the more defensive names outperformed in April, with consumer staples and utilities leading the way. Energy was far and away the weakest sector, down over 10%, and is one of only two sectors (the other is Materials) that have fallen over the last 12-month period. Information technology had a solid month amidst the volatility, but it is the weakest sector on a year-to-date basis, down over 10%.

Fund Commentary

Returns for the Conservative Fund were flat in April, and also flat year-to-date, but still up mid-single digits on a rolling 1-year basis. All of the 'growth asset classes' (equities and listed property) were down in absolute terms for the month. Bonds acted as something of a buffer as hoped in periods of market stress which muted some of the weakness in equity markets. In terms of relative performance, the global equity and global bond funds were behind benchmark. Both global equity 'growth' style managers (WCM and NAM-Europe) outperformed, however the two 'style-neutral' managers (JPM and Royal London) both lagged the benchmark. The top contributors to performance were 3i Group, Saab, Constellation Software and Wolters Kluwer. Notably, all four companies are listed outside the US. The global bond fund's underperformance was driven by Japanese and US swap positions and an overweight to securitised securities. Resmed was the standout name within the local equity portfolios after delivering a good earnings report, and also confirmation they would be exempt from US tariff duties. The domestic bond funds outperformed - thanks to the long duration positioning which benefited from the fall in interest rates.

Key Fund Facts

Estimated annual fund charges (incl. GST):		Distributions:	Generally does not distribute	Strategy Launch:	August 2016
Wholesale:	Negotiated outside of the unit price	Hedging:	Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund's foreign currency exposure is 8.6%.	Strategy size:	\$16.3m
Retail:	0.70%, refer PDS for more details			Buy / Sell spread:	0.04% / 0.04%
KiwiSaver:	0.90%, refer PDS for more details.				
Performance Fee:	Not charged in this fund				

Compliance

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

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