

NIKKO AM NZ CASH FUND

Monthly Fact Sheet

Why Nikko Asset Management NZ?

As a dedicated global investment manager Nikko AM NZ pairs local knowledge and experience with significant global resources. The Nikko group manages around US\$200 billion globally, including around NZ\$5 billion in New Zealand.

Fund overview

The NZ Cash Fund aims to provide investors with regular income by constructing an actively managed investment portfolio of short term deposits and bonds whilst preserving capital value.

Benchmark

Bloomberg NZBond Bank Bill Index

Performance objective

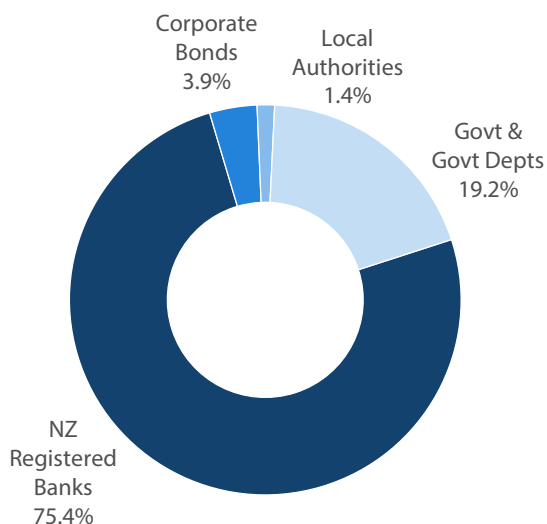
The aim is to outperform the benchmark by 0.20% per annum over a rolling three year period before fees, expenses and taxes

Risk indicator



Standard deviation of returns before tax and after fees over a rolling 5 years to the last calendar quarter

Asset allocation



Portfolio management team

Fergus McDonald is Head of Bonds and Currency and is responsible for the investment of the Bond, Cash and Currency mandates. Fergus has been actively involved in the NZ financial markets since 1981.



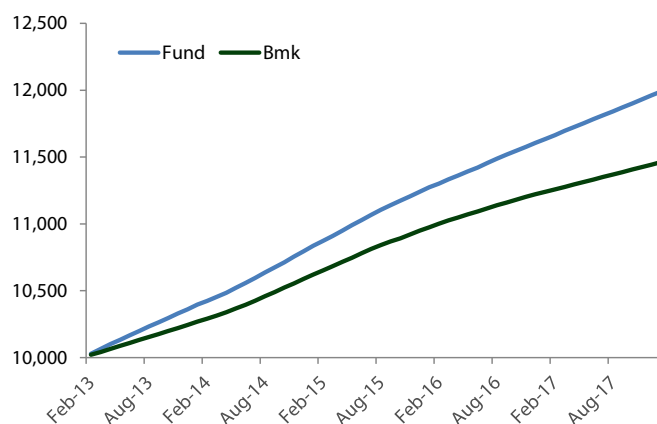
The portfolio management team for the domestic fixed income funds includes Ian Bellow, Fixed Income Manager and Tim O'Loan, Fixed Income Analyst.

Performance returns

	Gross ¹	Benchmark	Net ²
1 month	0.23%	0.16%	0.22%
3 months	0.75%	0.48%	0.66%
1 year	3.05%	1.97%	2.71%
2 years	3.13%	2.19%	2.79%
3 years (pa)	3.43%	2.57%	3.05%
5 years (pa)	3.70%	2.77%	
10 years (pa)	4.49%	3.39%	

- Gross Returns are before tax and before the deduction of fees.
- Net Returns are before tax but after the deduction of fees and expenses and including tax credits (if any).

Five year cumulative performance (gross)¹



Credit quality (% of fund)

AAA	0.1%
AA	91.2%
A	8.7%

Top 5 issuers (% of fund)

NZ Government & Government Depts	20.0%
Westpac	18.8%
ANZ	14.3%
Kiwibank	12.9%
Bank of New Zealand	9.1%
Number of issuers in the portfolio	17

Duration and yield

Duration	Fund 88 days vs benchmark 45 days
Yield	Fund (gross) 2.81% vs benchmark 1.83%

Key fund facts

Strategy launch date

October 2007

Strategy FUM

\$651.8m

Fund structure

PIE funds – wholesale and retail

Fees in retail fund:

Management fee 0.25%p.a

Expenses (maximum) 0.15%p.a

Expenses (current) 0.10%p.a

Buy/sell spread

nil

Distributions

Calendar quarter

Benchmark

Bloomberg NZBond Bank Bill Index

Hedging

All investments will be in New Zealand dollars

Market commentary

Over January the 90-day rate moved up 1 basis point to 1.89%, and the 1-year swap rate was down 5 basis points to 1.97%. The Official Cash Rate remains at an all-time low of 1.75%. At the last Monetary Policy Statement the RBNZ reiterated that numerous uncertainties remain and policy may need to adjust accordingly, and they maintain a neutral stance.

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The statement included the RBNZ's initial assessments of the new Governments fiscal plan, including Kiwibuild, minimum wage increases and migration changes. Acting Reserve Bank Governor Grant Spencer at the time described the new Government's policies as expansionary, but also that their economic impact was very uncertain. New Zealand GDP grew faster than previously thought as Statistics New Zealand revised the March 2017 figure higher by 0.8% to 3.7%. Unemployment is at a nine-year low of 4.5%. Wage inflation is expected for lower income workers, through minimum wages increases and pay equity deals. December quarter CPI was weak, 0.4% q/q with annual inflation at 1.6%. Consumer confidence has rebounded after recent weakness, and remains at a high level. Business confidence has fallen materially, most likely a reflection of uncertainty regarding the new Government's policies. We are not expecting any change to the OCR or the OCR forecast, it will be interesting to see what the RBNZs outlook for the New Zealand economy is given the above points.

The IMF revised up its global growth outlook for 2018 and 2019 to 3.9% on the back of a recovering global economy, stronger demand, increasing confidence and US fiscal stimulus boosting investment. Global equity markets started the year positive, but a rise in global bond yields has seen equity markets reverse those gains and some in early February. As at writing the S&P 500 is down 4.56% month to date. It is important to remember that markets aren't economies, and financial market volatility does not necessarily mean economic slowdown, it can head that way however if confidence takes a big enough hit. At this stage the stock market moves are being described as a correction, rather than a crash.

Fund commentary

The fund continued strong outperformance of its benchmark over January. A higher portfolio yield was the main contributor with the longer than benchmark duration also adding value. The fund has held a duration longer than benchmark for some time now, on the basis that we have not seen any urgent need to hike the OCR, and credit margins being attractive at the 1-year point of the interest rate curve. Credit margins have narrowed across the short end adding to performance.

Compliance

The Fund complied with its investment mandate, SIPO and Trust Deed during the month.

Important Information

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