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 before fees, expenses and taxes over a rolling three year period.

Risk indicator

Lower risk
Potentially lower returns

Higher risk
Potentially higher returns

1 2 3 4 5 6 7

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

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.

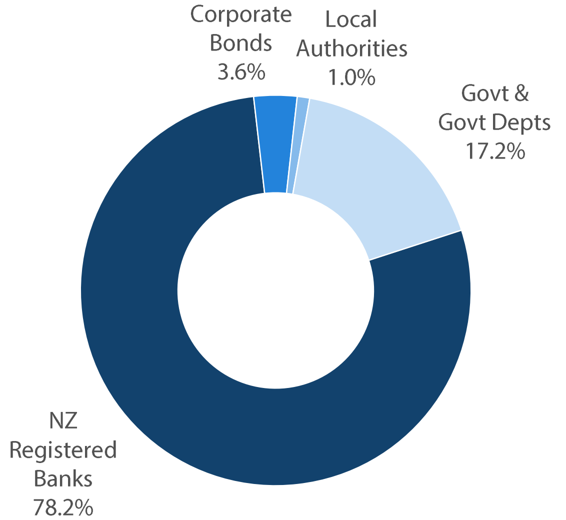
The portfolio management team for the domestic fixed income funds includes Ian Bellow, Fixed Income Manager and Tim O'Loan, Fixed Income Analyst.

Performance returns

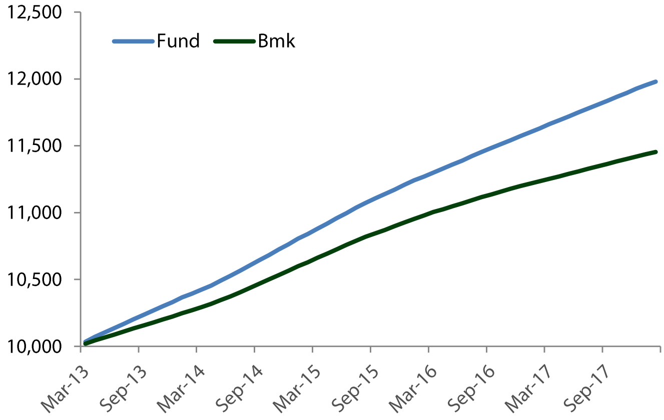
	Gross[1]	Benchmark	Net[2]
1 month	0.21%	0.14%	0.18%
3 months	0.71%	0.46%	0.62%
1 year	3.01%	1.96%	2.66%
2 years	3.11%	2.15%	2.77%
3 years (pa)	3.39%	2.53%	3.02%
5 years (pa)	3.68%	2.75%	
10 years (pa)	4.44%	3.33%	

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

Asset allocation



Five year cumulative performance (gross) [1]



Credit quality (% of fund)

AAA	0.11%
AA	97.65%
A	2.24%

Top 5 issuers (% of fund)

Westpac	23.4%
NZ Government & Government Depts	17.2%
Kiwibank	12.9%
ANZ	12.1%
National Australian Bank	9.6%
Number of issuers in the portfolio	**15**

Duration and yield

Duration	Fund 102 days vs benchmark 45 days
Yield	Fund (gross) 2.81% vs benchmark 1.82%

Key fund facts

Strategy launch date
October 2007

Strategy FUM
$666.9m

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 February NZ short term interest rates were marginally higher, the 90-day rate moved up 3 basis points to 1.92%, and the 1-year swap rate was up 5 basis points to 2.02%.
At the February Monetary Policy Statement (MPS) the RBNZ left the Official Cash Rate (OCR) unchanged at an all-time low of 1.75%. The RBNZ noted that global economic growth continues to improve and global inflationary pressures are emerging. Bond yields have moved up, and volatility has returned to global equity markets. As has been well signalled by global central banks, monetary policy is gradually becoming less stimulatory.

In New Zealand the unemployment rate is low, but wage inflation in modest. Increases in the minimum wage and collective bargaining should increase wages at the lower end, although broad based wage increases are yet to occur. The residential housing sector is much softer than this time last year, but consumer confidence is up, with retail sales doing very well. Business confidence has fallen materially, most likely a reflection of uncertainty regarding the new Government's policies.

At the MPS the RBNZ maintained its neutral stance and stated that numerous uncertainties remain and policy may need to adjust accordingly. The market is currently pricing in a 40% chance of a 25 basis point hike by the end of 2018. We think that the next move in rates will be up, but likely some time in 2019.

Fund commentary

The fund continued strong outperformance of its benchmark over February. A higher portfolio yield was the main contributor with a longer duration than the benchmark 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 for the RBNZ to hike the OCR, and term deposit credit margins being attractive at the 1-year point of the interest rate curve.

The secondary market is characterised by a general lack of liquidity at the moment, there is very limited high credit quality bonds available for sale. Commercial paper tenders have been going at flat to negative bank bills, and at these levels we do not tend to participate. Over the month we have been buying bank negotiable certificate of deposits and term deposits at relatively attractive levels.

Compliance

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

Contact us

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