

NIKKO AM CORPORATE BOND 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 over US\$200 billion globally, including around NZ\$5 billion in New Zealand.

Fund overview

The Fund aims to provide investors with regular income by constructing an actively managed investment portfolio of New Zealand bonds, deposits and cash with the potential for capital gain from New Zealand dollar fixed interest markets.

Benchmark

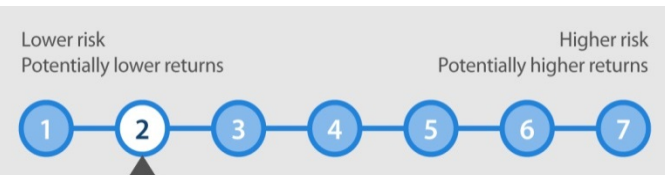
Bloomberg NZBond Govt 0+ Yr Index

Performance objective

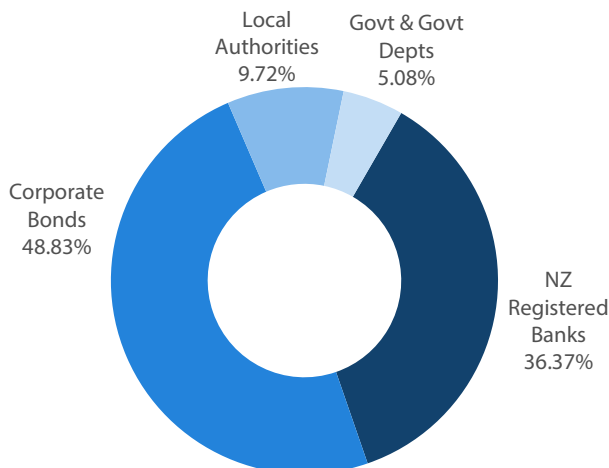
The aim is to outperform the benchmark by 1.50% per annum before fees, expenses and taxes over a rolling three year period.

Risk indicator

Standard deviation of returns before tax and after fees over a rolling 5 years to



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.



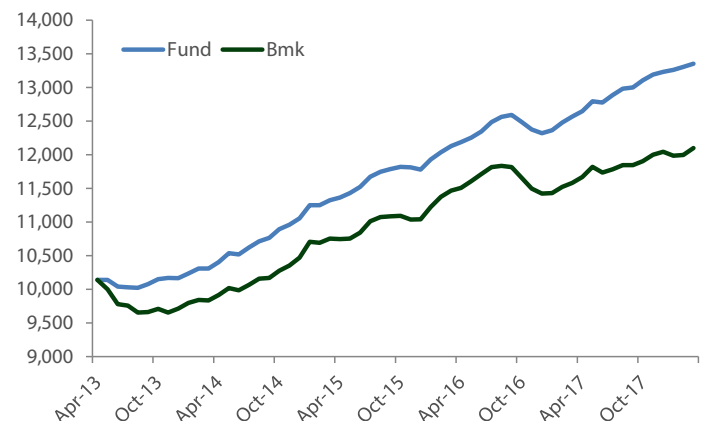
The portfolio management team for the domestic fixed income funds includes Ian Bellew, Fixed Income Manager and Tim O'Loan, Fixed Income Analyst.

Performance summary

	Gross ¹	Benchmark	Net ²
1 month	0.36%	0.86%	0.30%
3 months	0.90%	0.45%	0.73%
1 year	6.27%	4.49%	5.43%
2 years	4.92%	2.72%	4.06%
3 years (pa)	5.64%	4.00%	4.76%
5 years (pa)	5.95%	3.88%	5.07%

1. Gross Returns are before taxes 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).

Five year cumulative performance (gross) ¹



Credit quality (% of fund)

AAA	3.3%
AA	45.2%
A	24.2%
BBB	27.3%

Top 5 corporate issuers (% of fund)

ANZ Bank New Zealand	6.5%
Bank of New Zealand	5.8%
Fonterra Cooperative Group	5.7%
Westpac New Zealand	5.5%
Kiwibank	4.7%

Duration and yield

Duration	Fund 3.58 years vs benchmark 4.74 years
Yield	Fund (gross) 3.55% vs benchmark 2.29%

Key fund facts

Strategy launch date July 2009	Distributions Calendar quarter
Strategy FUM \$193.9m	Benchmark Bloomberg NZBond Govt 0+ Yr Index
Fund structure PIE fund – wholesale and retail	Hedging All investments will be in New Zealand dollars
Fees in retail fund: Management fee 0.70%p.a Expenses (maximum) 0.25%p.a Expenses (current) 0.08%	
Buy/sell spread Nil	

Market commentary

The Bloomberg NZ Government Bond Index returned 0.86% for March. The Bloomberg Credit Index returned 0.31% and the Bloomberg 1-10 year swaps returned 0.64%.

The quarter ended on a positive note for bonds as the move higher in global bond yields paused and interest rates moved lower in yield. Market risk appetite waned in response to increased global trade tensions, sentiment that global growth is losing some momentum and another interest rate hike from the US Fed.

Contact us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

Important Information

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As risk appetite soured global government bond markets were well supported and government bonds and higher rated assets were the best performers while high yield was out of favour in offshore markets. Carrying on from February market volatility was higher but mainly confined to equities, although there was some spillover of negative sentiment to credit and credit margins have pushed wider. The NZ bond market continued to perform well in comparison to offshore bond markets with rates not moving as high initially in the selloff move and then moving lower in yield. NZ Credit also performed better, not widening in spread to the same degree as offshore credit.

Across the NZ bond sectors returns were mixed with a reasonable move lower in interest rates benefiting longer duration positions. Credit struggled in comparison as margins were marked higher, however our credit holdings are biased to higher quality and the repricing in NZ credit markets was relatively benign compared to offshore and high yield bonds. Over previous months we have moved lower in our credit holding through selling bonds that were in demand and expensive, in addition the duration of our credit holdings has shortened. At this stage we are not overly negative on the prospects for credit and margin widening may offer some opportunities as popular issuer names had become expensive in the secondary market with an ongoing shortage of supply.

The NZ economy continues to perform well. We have forecast a low and stable cash rate and the expected slowdown in many of the supportive factors hasn't been that evident; house prices, commodity prices, immigration, employment, confidence and general activity all remain relatively robust. One of the big questions for bond markets remains expectations for inflation although we don't have much higher inflation outcomes or interest rates as a base case at this stage.

Fund commentary

The fund underperformed the NZ government benchmark. Government bonds were the best performers while swap and credit struggled in comparison. The moderate short duration positioning was a negative as yields moved lower.

Compliance

The Fund complied with its investment mandate, SIPO and trust deed during the month.