

NIKKO AM WHOLESALE OPTION 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 Fund invests in cash and fixed interest investments, and undertakes a leveraged trading strategy based on writing options over global government bonds.

Benchmark

Bloomberg NZBond Bank Bill Index plus 4.0% per annum

Performance objective

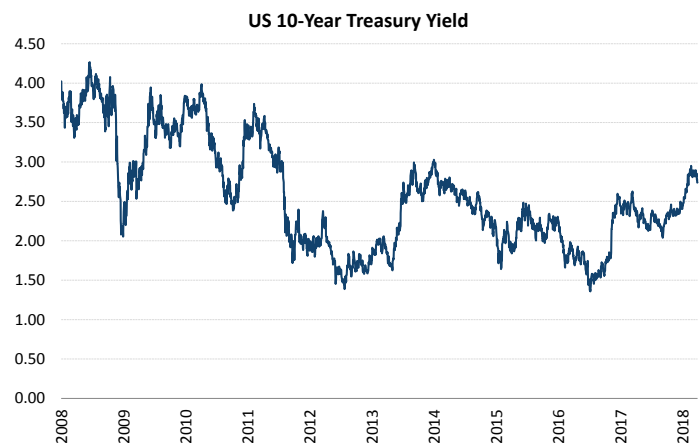
The fund aims to earn a return of the benchmark before fees, expenses and taxes over a rolling three year period.

Risk profile



Standard deviation of gross returns over a rolling 5 years to the last calendar quarter.

US 10-year Treasury yield



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.



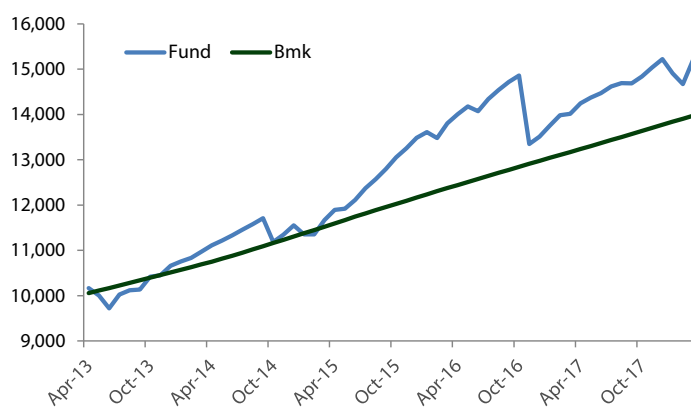
The portfolio management team for the domestic fixed income funds includes Ian Bellew, Fixed Income Manager and Tim O'Loan, Fixed Income Analyst.

Performance summary

	Gross ¹	Benchmark
1 month	3.66%	0.49%
3 months	-0.09%	1.47%
1 year	8.50%	6.10%
2 years	4.97%	6.26%
3 years (pa)	9.23%	6.64%
5 years (pa)	8.75%	6.92%
10 years (pa)	9.54%	7.47%

1. Gross Returns are before tax and the deduction of fees.

Five year cumulative performance (gross) ¹



Key fund facts

Strategy launch date October 2007	Distributions Generally does not distribute
Strategy FUM \$151m	Benchmark Bloomberg NZBond Bank Bill Index plus 4.0% per annum
Fund structure PIE fund	Hedging Any foreign currency exposures are hedged to NZD within an operational range of 98.5% to 101.5%
Buy/sell spread nil	

Market Commentary

Increased global trade tensions was a dominant theme over the month with President Trump kicking things off with proposed US import tariffs on steel and aluminum. The tariff policy was watered down with many countries exempted until the trade policy boiled down to a trade war principally against China. The market fears a “tit-for-tat” trade war and the possibility of slowing global growth. This anxiety of the unknown consequences of a trade war saw markets tending to reduce risks in equity markets and reweight to bonds after their lift in yields.

An added source of reduced market sentiment was President Trump ousting a number of key advisors including his economic advisor Cohn and national security advisor McMaster.

The Federal Reserve hiked rates for a sixth time this cycle and continued to project three hikes for this year. US growth and inflation forecasts were nudged higher suggesting US monetary policy is on a clear tightening path with some way to go yet.

Fund Commentary

The Option Fund performed strongly over the past month, returning 3.66% in March. After almost reaching the psychologically important 3% level in February the yield on US 10-year Treasury Bonds retreated somewhat over March to trade in a modest 19 basis point range, reaching an intra-month high of 2.93% and a low of 2.74% before closing the market at 2.75%.

We are continuing to see higher levels of volatility priced in to the options the fund sells compared to the levels experienced over much of 2017. Although we are seeing a more volatile market in US Treasury Bonds the volatility has not been extreme enough to cause harm to the Option Fund performance. If current levels of volatility are maintained, income generated by the Fund should be at attractive levels however the magnitude and speed of yield changes in the US 10-year Treasury Bonds will continue to determine the total return of the Fund.

Compliance

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

Contact us

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Important Information

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