

Factsheet 31 March 2019

NIKKO AM BALANCED STRATEGY

Applies to: Nikko AM Wholesale Balanced Fund, Nikko AM Balanced Fund (Retail), and Nikko AM KiwiSaver Scheme Balanced Fund

Market Overview

- Investors enjoyed strong returns over the month of March across most sectors.
- The NZ stock market was a leader with an astonishing 5.9% gain over the month. Most major equity markets around the world provided positive returns of around 1-3% in local currency terms, although Australia was weaker (0.7%), and Japan was negative (-0.8%).
- Interest rates globally declined over the quarter, reflecting concerns around economic growth and investors flooded into high yielding equity names.
- On the outlook of Interest rates possibly having peaked, bond yields fell (i.e. prices increased) over the month and bond investors saw strong returns in both NZ and global markets and across corporate and sovereign issued debt.
- The recent general strength in commodities continued, but oil and gold are still both negative over the 12 month period.

Fund Highlights

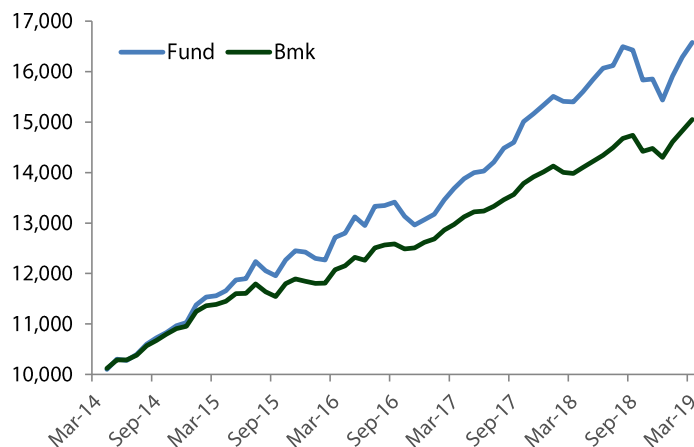
- The portfolio outperformed its aggregate benchmark over the month.
- The exposure to NZ equities was the highest performing sector in the portfolio despite our funds not keeping pace with the exceptionally strong market.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.81%	7.40%	7.67%	9.25%	10.64%	11.10%
Benchmark ²	1.51%	5.23%	7.63%	7.61%	8.52%	9.00%
Retail ³	1.54%	7.14%	5.24%			
KiwiSaver ³	1.56%	7.14%	5.82%			

1. Returns are before tax and before the deduction of fees. Based on actual calendar periods.
2. Benchmark: Weighted composite of the benchmarks for the underlying sector funds. 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

Five Year Cumulative Performance^{1,2}



Portfolio Manager

George Carter, is Managing Director of Nikko AM New Zealand, he joined in 2015. He has over 15 years of experience in the financial services industry. George has worked as a consulting actuary advising institutional clients on pensions and investments in the UK and New Zealand. George is Chair of the Investment Committee, responsible for the strategic asset allocation of the Nikko AM NZ diversified funds.



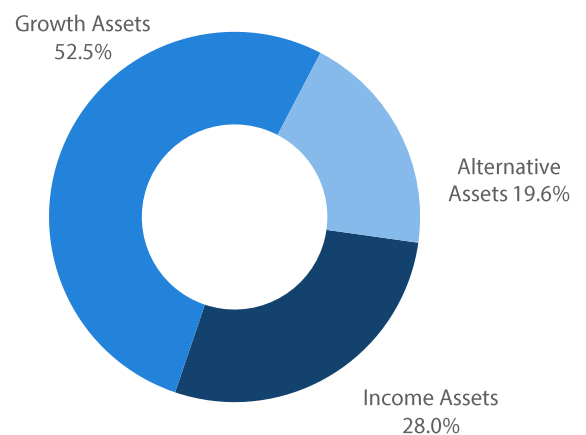
Overview

This fund has a diversified portfolio across income, growth and alternative assets which aims to generate a return while minimising potential losses.

Objective

The fund aims to outperform the benchmark return by 1.5% per annum before fee, expenses and taxes over a rolling three year period.

Asset Allocation



Sector Performance	One month		Three months		One year		Three years p.a.		Asset Allocation	
	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
NZ Bond Fund	1.62%	1.49%	2.94%	2.62%	7.51%	6.82%	5.18%	4.07%	9.0%	9.0%
NZ Corporate Bond Fund	1.32%	1.01%	2.46%	1.99%	6.95%	6.17%	5.59%	3.86%	9.0%	9.0%
Option Fund	-1.43%	0.49%	0.49%	1.48%	2.34%	6.11%	4.09%	6.21%	9.6%	10.0%
NZ Cash Fund	0.25%	0.16%	0.70%	0.48%					5.0%	5.0%
Global Bond Fund	1.92%	1.73%	3.75%	2.77%	5.62%	4.63%	4.13%	3.50%	5.0%	5.0%
Core Equity Fund	3.62%	5.88%	10.90%	12.09%	12.30%	19.55%	15.71%	14.69%	7.2%	7.0%
Property Fund	4.62%	5.10%	7.60%	8.69%	23.81%	25.18%	10.80%	10.58%	5.2%	5.0%
Concentrated Equity Fund	2.66%	0.56%	10.64%	1.62%	0.93%	6.75%	12.69%	6.83%	14.1%	14.0%
Global Shares Funds	2.50%	1.46%	13.43%	11.57%	11.47%	6.55%	13.55%	11.72%	26.1%	26.0%
Multi-Strategy Alternative	0.49%	0.15%	5.42%	0.42%	3.41%	1.90%	4.19%	3.60%	9.9%	10.0%

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

Investors enjoyed strong returns over the month of March across most sectors, but the biggest surprise came from the NZ stock market which rose an astonishing 5.9% over the month. It's difficult to know how to describe the current strong run in equities – is it a “golden summer” which seems to stretch out longer than anyone would expect and just keeps going, or is it the “final throes” of a bull run that’s twitching before it comes to an end? Of course, rarely in investments is such emotive language helpful and we’d caution against any narrative which paints such pictures. However, it probably does help identify some of the different views on equity markets at the moment. Some will point to ongoing acceptable global market data, supportive monetary policy and stable earnings, whereas others will observe that we could have seen the tipping point in the rates cycle, US government bond yields inverting (i.e. you get lower returns from the long-dated bonds than short-dated bonds) and global growth slowing further and more rapidly. Either way, it’s been a strong first quarter in 2019 with each of the diversified funds providing returns which exceeded our expectations for the whole year.

Fund Commentary

Having recently reviewed the asset allocation for the fund we decided to reallocate a small portion of cash into global bonds as the risks of further rate rises receded slightly, and the expected returns on cash continue to fall. Overall within fixed income, we continue to have a slight preference for NZ issued debt over its global counterpart. During the month of March, both domestic and global bond markets performed very well as rates fell resulting in capital gains boosting the running yields to give returns of between 1.3% -1.9% depending on the fund. We reiterate the often mentioned point that within the diversified funds we seek to maintain good diversification across sector, geography and strategy and will maintain our search for opportunities to add value over and above general market returns. Our mind-set continues to focus on the longer term, and this helps to balance the need to be aware of the day-to-day details without being unduly influenced by such things and being tempted to make knee-jerk reactions. In the meantime, we happily accept the strong monthly performance of 1.8% Balanced Fund.

Key Fund Facts

Distributions

Generally does not distribute

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 16.66 %

Performance fees

Performance fees (if any) are recognised in the unit price of the Balanced Fund for the following sector funds:

Nikko AM Wholesale Concentrated Equity Fund: 10% of excess return over benchmark, subject to recovery of any previous period negative returns before entitlement. *Nikko AM Wholesale Option Fund*: 15% of returns in excess return over benchmark, subject to recovery of any previous period negative returns before entitlement.

Estimated annual fund charges (incl GST)

Wholesale: Negotiated outside offund

Retail: 1.06%, refer PDS for more details

KiwiSaver: 1.01%, refer PDS for more details.

Fee of only 0.30% p.a. until 30/9/2019

Buy / Sell spread	Strategy size	Strategy Launch
0.09% / 0.09%	\$292.0m	August 2016

Compliance

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

Contact Us

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