

NIKKO AM BALANCED STRATEGY

Assets are held in the Nikko AM Wholesale NZ Balanced Fund. The Nikko AM Balanced Fund (retail) and Nikko AM KiwiSaver Scheme Balanced Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Newspaper headlines continue to be dominated by the outbreak of COVID-19.
- Investors have experienced significant losses on their equity portfolios with all bourses posting losses from the more 'modest' 4% drop in New Zealand, to the larger 8-10% falls in Europe, UK, Japan and the US.

Fund Highlights

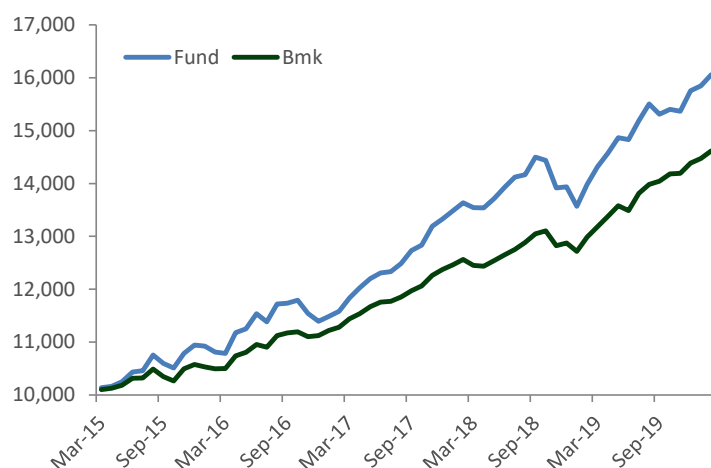
- The fund returned -3.2% for the month.
- Protection from the defensive portions of the portfolio wasn't sufficient to offset the larger losses from the higher risk components.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-3.23%	-1.40%	8.52%	9.50%	8.91%	9.72%
Benchmark ²	-1.92%	-0.34%	8.74%	7.82%	7.25%	8.22%
Retail ³	-2.64%	-0.86%	8.88%			
KiwiSaver ³	-2.65%	-0.87%	9.20%			

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.



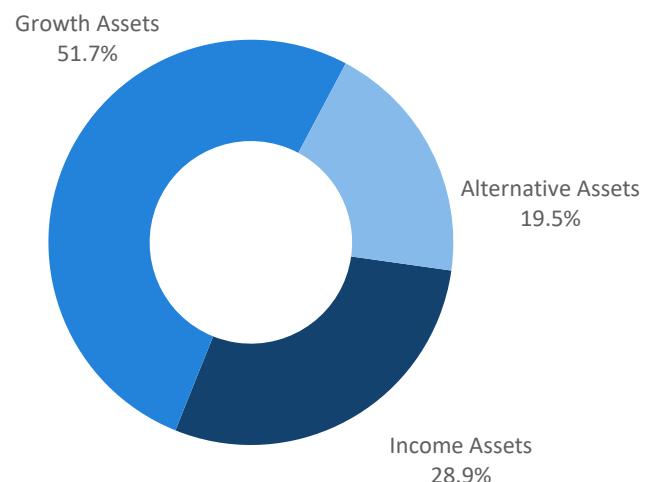
Overview

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 fees, 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	1.15%	1.20%	1.69%	1.47%	8.16%	6.57%	6.77%	5.61%	9.4%	9.0%
NZ Corporate Bond Fund	1.05%	0.80%	1.77%	1.30%	7.81%	5.96%	6.79%	5.36%	9.2%	9.0%
Option Fund	-10.35%	0.45%	-12.42%	1.33%	-19.77%	5.65%	-3.23%	5.95%	9.4%	10.0%
Global Bond Fund	1.12%	1.23%	3.02%	2.84%	11.28%	9.67%	5.97%	5.23%	10.3%	10.0%
Core Equity Fund	-4.09%	-3.86%	-1.59%	-0.40%	17.56%	21.90%	17.62%	17.51%	12.0%	12.0%
Property Fund	-2.62%	-1.88%	2.90%	3.29%	26.66%	28.60%	17.63%	18.01%	5.1%	5.0%
Concentrated Equity Fund	-4.30%	0.46%	0.93%	1.46%	15.52%	6.28%	14.98%	6.59%	9.2%	9.0%
Global Shares Funds	-5.45%	-6.78%	-3.50%	-5.06%	11.98%	7.04%	13.13%	8.82%	25.4%	26.0%
Multi-Strategy Alternative	-0.75%	0.10%	1.15%	0.31%	3.31%	1.39%	2.84%	2.52%	10.0%	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

Newspaper headlines continue to be dominated by the outbreak amongst humans from one of the coronavirus family, namely COVID-19. Clearly, the health aspects take priority, but economically, this event has led to large movements in financial markets around the world. Investors have experienced significant losses on their equity portfolios with all markets posting losses from the more 'modest' 4% drop in New Zealand, to the larger 8-10% falls in Europe, UK, Japan and the US. Unsurprisingly, bond markets have seen yields fall (i.e. prices increase) meaning that investors in diversified portfolios have had some protection.

The New Zealand dollar continued to fall, with February seeing another 4% drop against the US dollar following a similar drop in January. These falls mean that foreign currency has appreciated in value to NZ investors and so having foreign assets unhedged has provided some protection from the equity losses. For example in the year to date losses from global equities in local currency terms have been around 10%, but in NZ dollar terms (unhedged) the returns have only just been negative at around -1%. This demonstrates something of the diversifying benefit of having some foreign currency exposure in our portfolios. Our exposure to 'alternatives' within the diversified portfolios was partially successful in this recent equity sell-off. The Option Fund fell in value a similar way to global equities due to plunging yields on the US 10 year treasuries against which it writes options, but the multi-manager liquid alternative portfolio of hedge funds fell just 0.75% thus providing the element of protection we desire from this sector.

Fund Commentary

The Balanced Fund returned -3.2% in February. Protection from the defensive parts of the portfolio wasn't sufficient to offset the larger losses from the higher risk components.

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 14.88%

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 of fund

Retail: 1.04%, refer PDS for more details

KiwiSaver: 0.99%, refer PDS for more details.

Buy / Sell spread

0.09% / 0.09%

Strategy size

\$327.1m

Strategy Launch

April 1994

Compliance

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

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