

# 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

- March has been all about COVID-19 - there has been no shortage of media coverage of the enormous economic damage being suffered both directly as a result of COVID-19, and indirectly as result of differing government responses to the pandemic across the world.
- The size of equity market losses are significant, with the NZ equity market down almost 13% which is lower than the 10% falls seen in June 2008 and October 2008.

## Fund Highlights

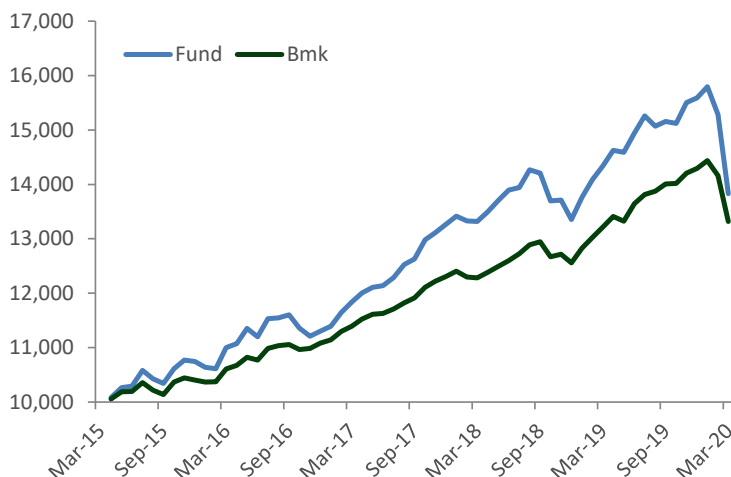
- The fund returned -11.3% for the quarter.
- We expect volatility to remain elevated. This provides opportunities for our portfolio managers to acquire some assets which have good long-term prospects at reduced prices and so position the portfolios positively going forward as we look beyond the immediate uncertainties.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-9.52%	-11.30%	-3.56%	5.33%	6.70%	8.36%
Benchmark <sup>2</sup>	-5.94%	-6.82%	0.77%	5.34%	5.90%	7.37%
Retail <sup>3</sup>	-10.91%	-11.89%	-4.47%			
KiwiSaver <sup>3</sup>	-10.90%	-11.89%	-4.20%			

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<sup>1,2</sup>



## 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.



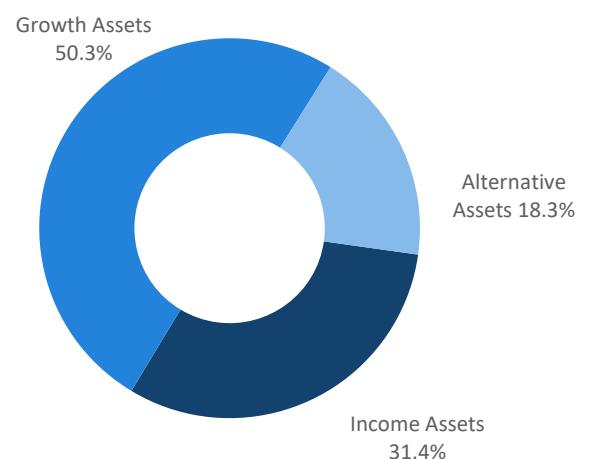
## Overview

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	-1.77%	-0.27%	1.05%	2.46%	4.55%	4.72%	5.91%	5.34%	10.2%	9.0%
NZ Corporate Bond Fund	-2.22%	-1.07%	0.17%	0.66%	4.05%	3.78%	5.75%	4.81%	10.1%	9.0%
Option Fund	-20.01%	0.47%	-30.71%	1.37%	-34.89%	5.63%	-10.25%	5.95%	7.6%	10.0%
Global Bond Fund	-3.82%	-1.67%	-0.77%	1.37%	5.01%	6.02%	4.61%	4.62%	11.1%	10.0%
Core Equity Fund	-12.65%	-12.83%	-14.37%	-14.55%	-0.89%	0.36%	11.78%	11.95%	11.7%	12.0%
Property Fund	-22.82%	-20.64%	-23.13%	-20.26%	-6.56%	-2.89%	8.11%	9.47%	4.4%	5.0%
Concentrated Equity Fund	-12.10%	0.47%	-12.50%	1.43%	-1.09%	6.19%	8.53%	6.56%	8.9%	9.0%
Global Shares Funds	-10.92%	-12.23%	-14.87%	-17.77%	-2.69%	-7.40%	7.79%	3.40%	25.2%	26.0%
Multi-Strategy Alternative	-4.72%	0.10%	-4.17%	0.31%	-2.04%	1.34%	1.09%	2.43%	10.7%	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](http://www.nikkoam.co.nz).

## Market Commentary

March has been all about COVID-19 - there has been no shortage of media coverage of the enormous economic damage being suffered both directly as a result of COVID-19, and indirectly as result of differing government responses to the pandemic across the world. The size of equity market losses are significant, with the NZ equity market down almost 13% which is lower than the 10% falls seen in June 2008 and October 2008, and we need to look back to August 1998 to find a 1 month loss of this magnitude. In fact the NZ market was far from being the worst impacted with, for example, losses in some markets in Europe and the UK being down around 20%. The falling NZ dollar provided some protection for assets held in foreign currency, especially the US dollar and Japanese Yen, but in aggregate the MSCI ACWI index unhedged was still down 10% for the month. Compounding the losses in equity markets was the lack of upside in bonds; despite central banks pushing cash rates close to zero (if they weren't there already), credit spreads widened and bond markets strained, resulting in modest losses from bonds and even cash funds during the month.

Within the 'alternative' sectors of our funds, the Option Fund suffered from a continued collapse in the US treasury 10-year rate, albeit that this stabilized later in the month resulting in some high premium income which sets the fund up for some stronger performance as movements in rates start to subside. Returning a loss of 20% for the month it behaved more akin to the worst hit equity markets than giving uncorrelated outcomes. Conversely the multi-strategy hedge fund did provide some protection albeit that it fell in value by around 4.7% for the month. Intra-month lows were much worse than even the full month data shows as by the end of March markets took some comfort from central bank and government responses globally. However, it remains to be seen whether markets continue with some optimism that we're through the worst of the negative news, or whether as more data comes to light there will need to be another revaluation of asset prices – and whilst that remains an open question, we should expect volatility to remain elevated.

## Fund Commentary

The fund returned -9.52% in March, -11.3% for the quarter. Our portfolio managers continue to seek opportunities to acquire some assets which have good long-term prospects at reduced prices and so position the portfolio positively going forward as we look beyond the immediate uncertainties.

## 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 14.91%

### 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

[Click to view](#)

### Strategy size

\$287.3m

### Strategy Launch

April 1994

## Compliance

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

## Contact Us [www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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