

Factsheet 30 April 2020

# 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

- April provided investors with a substantial bounce back in return from March, but this was far from complete and given the permanent damage to economies from the various shutdowns and border closures any recovery will only be partial. We expect that there are still difficult times ahead as the world slowly picks up the pieces of the damage from extreme government borrowing, high unemployment and disrupted supply lines as well as dealing with ongoing outbreaks of COVID-19.
- Bond markets provided investors with strong returns in April as much of the mark-to-market losses of March unwound. The March sell-off turned out to largely provide a unique opportunity to increase the yield in portfolios for enhanced returns which we duly took advantage of, which will continue to benefit portfolios in the coming months as well.

## Fund Highlights

- The fund returned 5.8% in April, 172 bps ahead of the benchmark.
- We expect volatility to remain elevated in the current environment and note that strong returns in April appear to be possibly somewhat disconnected from the weak economic data which we expect to emerge.

## Performance

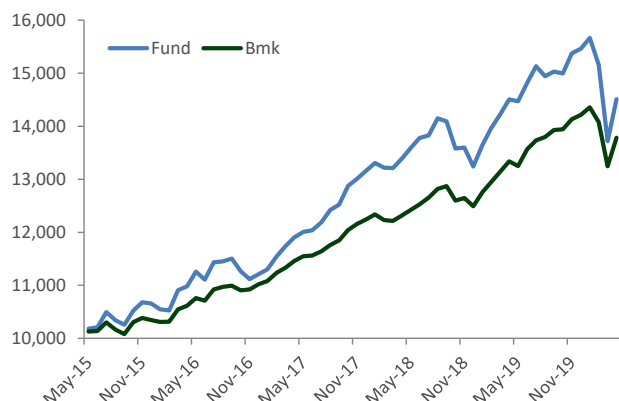
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	5.79%	-7.38%	0.03%	6.82%	7.73%	8.95%
Benchmark <sup>2</sup>	4.07%	-3.98%	3.35%	6.34%	6.63%	7.81%
Retail <sup>3</sup>	6.32%	-7.78%	-0.59%			
KiwiSaver <sup>3</sup>	6.34%	-7.76%	-0.36%			

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.



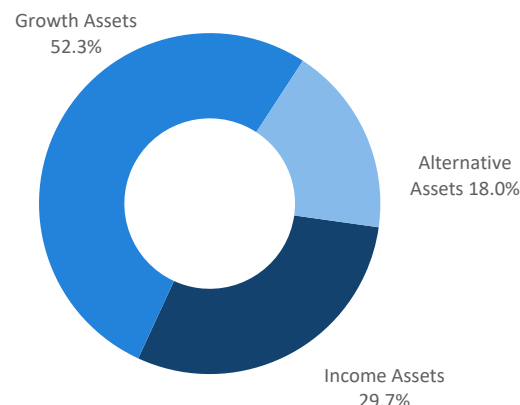
## Overview

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	3.42%	2.30%	2.76%	3.24%	8.30%	7.32%	6.83%	5.86%	9.6%	9.0%
NZ Corporate Bond Fund	3.38%	2.30%	2.15%	2.01%	7.54%	6.10%	6.69%	5.33%	9.5%	9.0%
Option Fund	-2.96%	0.39%	-30.41%	1.31%	-38.24%	5.53%	-11.62%	5.91%	7.5%	10.0%
Global Bond Fund	3.73%	1.59%	0.88%	1.13%	8.68%	7.70%	5.65%	4.91%	10.5%	10.0%
Core Equity Fund	8.39%	7.51%	-9.20%	-9.90%	5.57%	6.06%	13.87%	13.73%	12.1%	12.0%
Property Fund	5.19%	3.69%	-20.95%	-19.25%	-3.24%	-1.05%	9.52%	10.33%	4.4%	5.0%
Concentrated Equity Fund	10.77%	0.42%	-6.83%	1.36%	6.83%	6.06%	11.84%	6.52%	9.2%	9.0%
Global Shares Funds	9.85%	8.95%	-7.49%	-10.86%	2.74%	-3.31%	10.37%	5.69%	26.6%	26.0%
Multi-Strategy Alternative	3.17%	0.08%	-2.43%	0.28%	-0.57%	1.27%	1.96%	2.33%	10.6%	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

We are living in extraordinary times, and it is therefore no surprise that financial markets remain volatile as investors try to digest, assimilate and process what is going on and what it means for the economy, spending, employment, activity etc. With a distinctly uncoordinated global approach politically, there is plenty of uncertainty around what different governments may or may not do, and therefore what that means for businesses, workers and consumers. Perhaps the most surprising aspect of the month of April was not that the price of oil futures could go negative (astonishing as that was), but just how strongly many of the markets responded to the injection of liquidity that came from all central banks, and the US Federal Reserve in particular.

Equity markets have always been volatile, and this will remain a feature of the sector, but we expect this to remain elevated in the current environment and note that the strong returns in April appear to be possibly somewhat disconnected from the weak economic data which we expect to emerge. It would therefore not surprise us if we see another pull back in equities in the short term. However, we also expect that equities will continue to be the engine room of performance within the diversified funds over the longer term. Bond markets provided investors with strong returns in April as much of the mark-to-market losses of March unwound. In fact the March sell-off turned out to largely provide a unique opportunity to increase the yield in portfolios for enhanced returns which we duly took advantage of; much of this benefit was experienced in April, but it will continue to benefit portfolios in the coming months as well. Nevertheless, yields in bond funds are now at new lows meaning that not only will returns from this sector be lower going forward, but it sets lower expectations for returns across all sectors.

We've seen some large moves in currencies from month-month, but these haven't been especially volatile, though it is quite possible that increased currency volatility could arise. The NZ dollar remains weaker than it was a few months ago (meaning that foreign currency assets have provided good protection and value for those assets), but this reversed a little during April partially narrowing the gap between hedged and unhedged assets.

## Fund Commentary

The fund ended the month up 5.8%, 172bps ahead of the benchmark. Overall, April provided investors with a substantial bounce back in return from March, but this was far from complete and given the permanent damage to economies from the various shutdowns and border closures any recovery will only be partial, and we expect that there are still difficult times ahead as the world slowly picks up the pieces of the damage from extreme government borrowing, high unemployment and disrupted supply lines as well as dealing with ongoing outbreaks of COVID-19.

## Key Fund Facts

<b>Distributions</b>		<b>Estimated annual fund charges (incl. GST)</b>		
Generally does not distribute		Wholesale: Negotiated outside of fund		
<b>Hedging</b>		Retail: 1.04%, refer PDS for more details		
Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund's foreign currency exposure is 15.09%		KiwiSaver: 0.99%, refer PDS for more details.		
<b>Performance fees</b>		<b>Buy / Sell spread</b>	<b>Strategy size</b>	<b>Strategy Launch</b>
Performance fees (if any) are recognised in the unit price of the Balanced Fund for the following sector funds:		<a href="#">Click to view</a>	\$300.9m	April 1994
<i>Nikko AM Wholesale Concentrated Equity Fund</i>				
10% of excess return over benchmark, subject to recovery of any previous period negative returns before entitlement.				
<i>Nikko AM Wholesale Option Fund</i>				
15% of returns in excess return over benchmark, subject to recovery of any previous period negative returns before entitlement.				

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

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