

NIKKO AM CONSERVATIVE STRATEGY

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

Market Overview

- July continued where we left things in June - with markets surging upwards and brushing off any concerns from either COVID related health issues, geo-political risks or underlying economic data.
- Equity markets moved higher across all major markets, but bond markets also gave strong returns to investors both domestically and globally. With the 'Alternative' strategies also providing high levels of return, the only element providing a pull back on returns was the strengthening NZ dollar which means that any foreign currency exposures fell in value in NZ dollar terms.

Fund Highlights

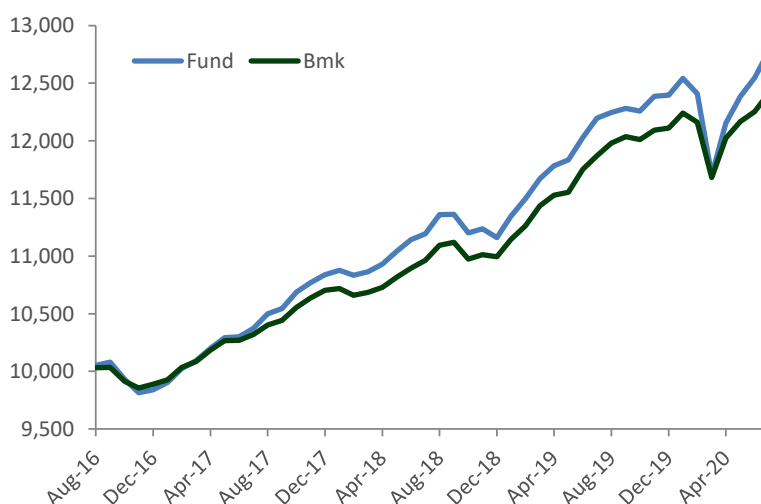
- The fund returned 1.9% over the month, 0.5% ahead of the benchmark.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.85%	5.15%	4.78%	7.20%		
Benchmark ²	1.31%	3.25%	4.59%	6.36%		
Retail ³	2.03%	5.12%	4.14%			
KiwiSaver ³	2.03%	5.10%	4.17%			

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. See overleaf. 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 in unit price.

Cumulative Performance since Inception^{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.



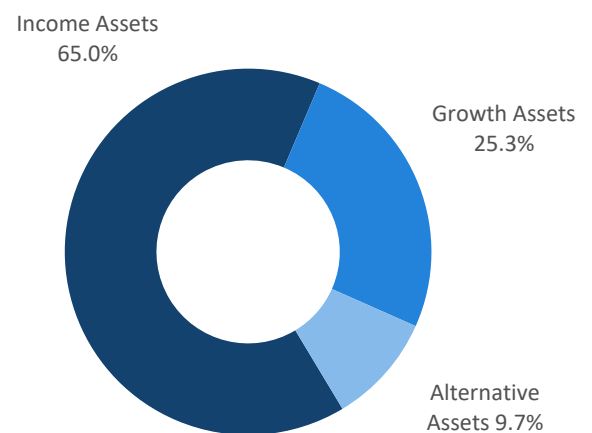
Overview

This fund has a diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.

Objective

The fund aims to outperform the benchmark return by 1.0% per annum before fees, expenses and taxes over a rolling three year period.

Asset Allocation



Sector Performance	1 month		3 months		1 year		3 years p.a.		Asset Allocation	
	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
NZ Cash Fund	0.12%	0.03%	0.53%	0.07%	2.05%	1.01%	2.61%	1.62%	15.5%	15.0%
NZ Bond Fund	0.92%	0.67%	2.25%	0.75%	7.15%	5.32%	7.09%	5.78%	17.4%	17.5%
NZ Corporate Bond Fund	0.67%	0.46%	2.43%	1.59%	6.65%	5.08%	6.88%	5.54%	17.3%	17.5%
Option Fund	1.76%	0.36%	5.12%	1.07%	-32.88%	5.12%	-10.91%	5.76%	5.0%	5.0%
Global Bond Fund	1.76%	1.05%	4.34%	1.86%	9.33%	6.03%	6.96%	5.26%	14.9%	15.0%
Core Equity Fund	3.49%	2.45%	11.50%	11.43%	9.15%	8.84%	16.39%	16.21%	7.6%	7.5%
Property Fund	7.54%	7.10%	13.57%	10.35%	-1.75%	-4.31%	13.65%	13.08%	5.1%	5.0%
Global Shares Funds	3.94%	3.19%	12.71%	9.34%	9.99%	4.99%	13.77%	8.30%	12.6%	12.5%
Multi-Strategy Alternative	1.39%	0.01%	5.37%	0.05%	4.27%	0.93%	3.51%	1.96%	4.8%	5.0%

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

The month of July continued where we left things in June - with markets surging upwards and brushing off any concerns from either COVID related health issues, geo-political risks or underlying economic data. This continued exuberance is almost entirely due to the market's confidence in the ongoing support from central banks not only in keeping interest rates low, but also in directly supporting financial markets through the direct acquisitions of securities. In this environment not only did we see equity markets move higher across all major markets, but bond markets also gave strong returns to investors both domestically and globally. With the 'Alternative' strategies also providing high levels of return, the only element providing a pull back on returns was the strengthening NZ dollar which means that any foreign currency exposures fell in value in NZ dollar terms. This led to the overall result for diversified fund investors during the month of July being unexpectedly high.

As we write this, New Zealand has just been plunged back into lockdown and it remains to be seen to what degree, that will impact the local markets. However, any decisions or actions taken locally are unlikely to have any discernible impact on the global situation which will continue to be dominated by US-Chinese relations and the degree to which China may be able to de-escalate some or all of the many relationship conflicts it's currently dealing with around the world. As noted, central banks appear to be reaffirming that they are focused on supporting asset prices and maintaining the extremely low levels of interest rates to which we are becoming accustomed. Accordingly we reiterate the point made last month, which is that so long as markets remain comfortable that central banks will be able and willing to act in this way, and can avoid any unexpected bouts of inflation bursting onto the scene, then the current momentum is likely to remain in play. However, should that change, then markets may readjust very quickly.

Fund Commentary

The fund returned 1.9% over the quarter, 54 basis points ahead of the benchmark. The Nikko AM diversified portfolios remain well diversified across sectors, geography and securities, and are actively managed to try and avoid areas where systemic risks are elevated or unrewarded and to deploy capital where the reward is appropriate for the risks being taken.

Key Fund Facts

<p>Distributions Generally does not distribute</p> <p>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 6.65%</p> <p>Performance fees Performance fees (if any) are recognised in the unit price of the Conservative Fund for the following sector fund: <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</p>	<p>Estimated annual fund charges (incl. GST) Wholesale: Negotiated outside of fund Retail: 0.79%, refer PDS for more details KiwiSaver: 0.73%, refer PDS for more details.</p> <table border="0"> <tr> <td>Buy / Sell spread</td> <td>Strategy size</td> <td>Strategy Launch</td> </tr> <tr> <td>Click to view</td> <td>\$50.6m</td> <td>August 2016</td> </tr> </table>	Buy / Sell spread	Strategy size	Strategy Launch	Click to view	\$50.6m	August 2016
Buy / Sell spread	Strategy size	Strategy Launch					
Click to view	\$50.6m	August 2016					

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

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