

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

- The momentum in financial markets was largely unchanged during August with investors experiencing strong returns across different sectors.
- Global equity markets continued to rise last month, enjoying their best August since 1986. The 'Alternative' strategies also contributed positively, whereas global bond returns were the only sector for the funds which were negative for the month.

Fund Highlights

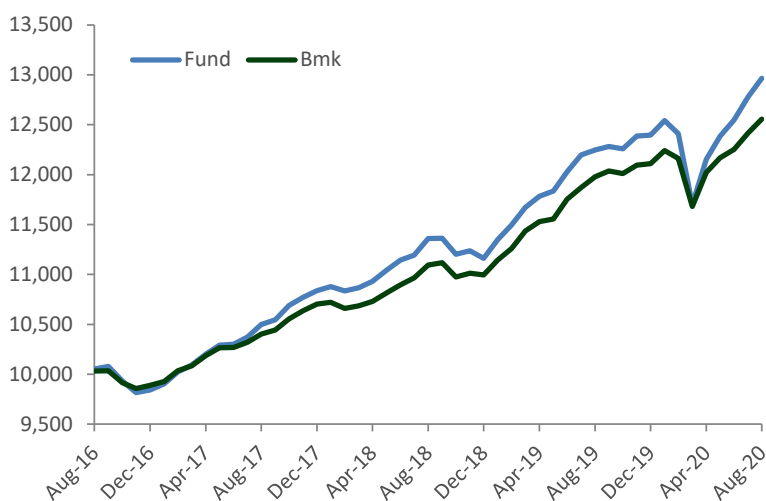
- The fund returned 1.5% over the month, 0.3% ahead of the benchmark.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.46%	4.71%	5.88%	7.29%		
Benchmark ²	1.14%	3.20%	4.82%	6.47%		
Retail ³	1.36%	4.63%	5.27%			
KiwiSaver ³	1.37%	4.64%	5.27%			

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.



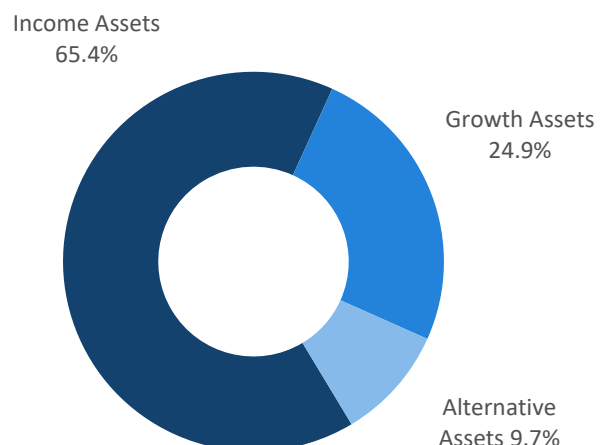
Overview

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	0.17%	0.02%	0.44%	0.07%	1.95%	0.89%	2.58%	1.57%	14.6%	15.0%
NZ Bond Fund	1.54%	0.78%	2.40%	1.16%	6.45%	4.29%	7.39%	5.88%	17.2%	17.5%
NZ Corporate Bond Fund	1.13%	0.76%	2.27%	1.57%	6.04%	4.57%	7.02%	5.63%	19.0%	17.5%
Option Fund	0.99%	0.36%	3.50%	1.07%	-22.61%	5.00%	-10.77%	5.71%	4.9%	5.0%
Global Bond Fund	-0.31%	-0.72%	2.76%	0.82%	6.40%	2.90%	6.49%	4.66%	14.6%	15.0%
Core Equity Fund	1.45%	1.82%	10.36%	9.81%	12.16%	11.77%	15.27%	16.27%	7.3%	7.5%
Property Fund	3.30%	3.11%	12.91%	10.34%	-1.65%	-4.39%	14.37%	14.05%	5.0%	5.0%
Global Shares Funds	5.30%	5.34%	13.53%	10.58%	17.07%	11.54%	14.83%	9.52%	12.6%	12.5%
Multi-Strategy Alternative	1.56%	0.02%	4.51%	0.04%	6.00%	0.85%	3.85%	1.84%	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 momentum in financial markets that we've discussed in recent monthly updates was largely unchanged during August with investors experiencing strong returns across different sectors. The New Zealand equity market was seen as a relative sluggard with a return of just under 2% for the month, whilst global equity markets extended by more than 6%, leading to headlines noting that by some measurements this was the strongest August since 1986 (perhaps an ominous portent). As a sign of just how low interest rates have fallen, we have the somewhat odd scenario that P/E (Price to Earnings) ratios are at all time elevated levels, and yet equity yields look as attractive against bonds as they've ever done. Taking this dynamic, along with the previously mentioned central bank actions, and the fact that current earnings are likely suppressed due to COVID related uncertainty, and it can be seen why investors continue buying into equities.

Within the fixed income portion of the portfolio, we saw rates in NZ push lower resulting in strong mark-market gains for investors which were further enhanced in the Nikko AM funds due to strong active management returns whereas global bond returns were the only sector for the fund which was negative for the month having had a strong 4 month run. The fund's exposure to alternative sectors (the Option Fund and the Multi-Strategy Fund) contributed positively with returns of approximately 1% each which may look modest in the context of some of the recent equity movements, but are a pleasing source of a diversified return stream as well as exceeding long-term expected returns from those sectors.

Fund Commentary

The fund returned 1.46% over the month, 0.32% ahead of the benchmark. Notwithstanding the significant market falls earlier in the year, the 1-year returns for all the diversified funds are well ahead of our long-term expectations which says something about the strength of returns experienced since late March. Investors should expect these returns to moderate in future months.

Key Fund Facts		
Distributions	Estimated annual fund charges (incl. GST)	
Generally does not distribute	Wholesale: Negotiated outside of fund	
Hedging	Retail: 0.79%, 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 6.69%	KiwiSaver: 0.73%, refer PDS for more details.	
Performance fees	Buy / Sell spread	Strategy size
Performance fees (if any) are recognised in the unit price of the Conservative Fund for the following sector fund:	Click to view	\$53.0m
<i>Nikko AM Wholesale Option Fund</i>		Strategy Launch
15% of returns in excess return over benchmark, subject to recovery of any previous period negative returns before entitlement		August 2016

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

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