

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

- During October, equity markets around the world fell for a variety of reasons, but general negativity around the deterioration of progress out of the COVID-19 disruption was the key driver.
- The NZ equity market was an outlier and rose significantly (nearly 3% for the NZX50 and almost 6% for the listed property index).
- Bond yields rose at the long end, but fell at the short end as investors expected that longer-term growth prospects were likely improving.

Fund Highlights

- The fund returned 0.71% for the month, well ahead of the benchmark and continues to deliver above the longer-term expected return.

Performance

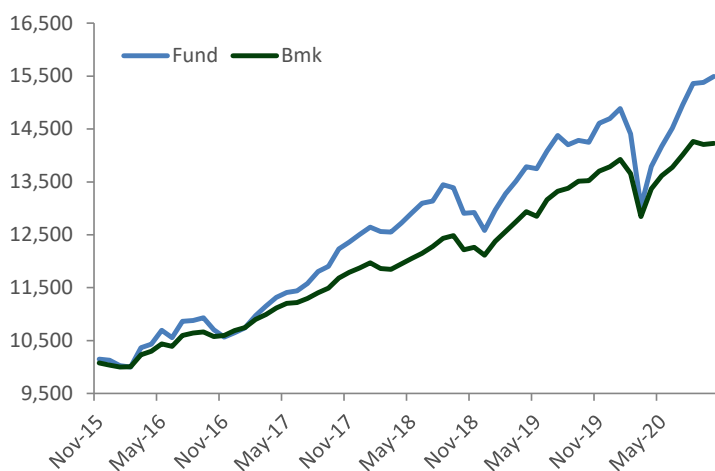
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.71%	3.57%	8.72%	8.19%	9.15%	9.98%
Benchmark ²	0.13%	1.54%	5.21%	6.79%	7.31%	8.19%
Retail ³	1.10%	3.47%	7.87%			
KiwiSaver ³	1.10%	3.52%	7.95%			

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 20 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.



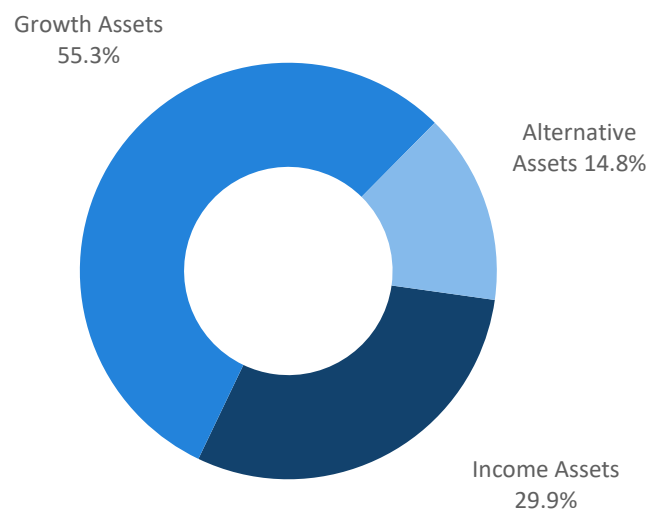
Overview

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	0.14%	-0.07%	2.41%	1.38%	8.12%	5.71%	7.42%	5.91%	10.0%	10.0%
NZ Corporate Bond Fund	0.25%	0.18%	1.90%	1.25%	7.28%	5.35%	6.95%	5.62%	9.9%	10.0%
Option Fund	-0.03%	0.35%	2.57%	1.06%	-25.82%	4.77%	-10.60%	5.53%	5.0%	5.0%
Global Bond Fund	0.11%	0.01%	0.05%	-0.34%	7.25%	4.12%	6.53%	4.76%	9.9%	10.0%
Core Equity Fund	2.92%	2.87%	2.33%	3.28%	12.75%	12.74%	12.99%	15.06%	13.0%	13.0%
Property Fund	5.28%	5.89%	11.71%	12.14%	6.39%	4.87%	17.18%	17.13%	5.2%	5.0%
Concentrated Equity Fund	1.18%	0.44%	3.74%	1.30%	19.71%	5.55%	11.17%	6.27%	7.9%	8.0%
Global Shares Funds	-0.44%	-2.46%	4.18%	0.44%	15.22%	2.36%	12.12%	5.62%	26.1%	26.0%
Multi-Strategy Alternative	-1.15%	0.62%	1.12%	-0.91%	6.86%	-1.12%	3.55%	2.12%	9.8%	10.0%
ARK Fund	3.50%	0.80%	19.01%	2.41%					3.1%	3.0%

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

During October, globally equity markets fell for a variety of reasons, but general negativity around the deterioration of progress out of the COVID-19 disruption was the key driver. Accordingly, it was perhaps not surprising that the NZ equity market was an outlier and rose significantly (nearly 3% for the NZX50 and almost 6% for the listed property index). Bond yields rose at the long end, but fell at the short end (i.e. the curve 'steepened') as investors expected that longer-term growth prospects were likely improving, but noting that central banks continued to emphasise the likely need for more monetary policy action in lowering rates in the near term.

Investors continue to wrestle with the seemingly intractable problem that arises from low interest rates whereby yields from fixed income securities are materially lower than desired return objectives, but investing in higher yielding equity type securities comes with the risk of higher volatility and potentially larger losses in a downturn. It is worth noting that going forward lower expected returns overall are a feature of this environment, and that despite the lower yields from fixed income, they still offer the benefit of downside protection within a portfolio. In addition, our philosophy of using 'alternative' market sectors to help enhance total portfolio return and provide diversification from both bonds and equities remains firmly in place.

Fund Commentary

The strategy returned 0.71% for the month, well ahead of benchmark. Within the sector level funds that are used to build the fund, there was general outperformance, especially within global equities which helped to mitigate the broader market losses. Currency markets were largely flat for the month of October as a whole resulting in hedged and unhedged performance being broadly similar. Putting these different elements together, the net effect for investors was a generally solid performance for the month with the fund outperforming its benchmark and being above the longer-term expected return.

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 18.54%

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: 0.96%, refer PDS for more details

KiwiSaver: 0.96%, refer PDS for more details.

Buy / Sell spread

[Click to view](#)

Strategy size

\$338.4m

Strategy Launch

April 1994

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

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