

# 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

- The new financial year began with market optimism with the continued roll out of COVID vaccination programmes, and the expected and desired opening up of economies and borders.
- The New Zealand dollar regained some ground against all major global currencies after showing some weakness earlier in 2021, and is now considerably higher against those currencies than it was a year ago.

## Fund Highlights

- April returned strong investment gains for investors in the fund.
- Every sector produced positive returns with the exception of the ARK strategy which fell again during the month, but is still up over 75% over 1 year.
- In April, global shares provided the largest uplift to the portfolio, and all sectors were supported by the managers outperforming their respective benchmarks.
- The month's strong performance led to a reversal of the losses from earlier in the year, and the fund is showing returns broadly in line with expectations in the calendar year to date.

## Performance

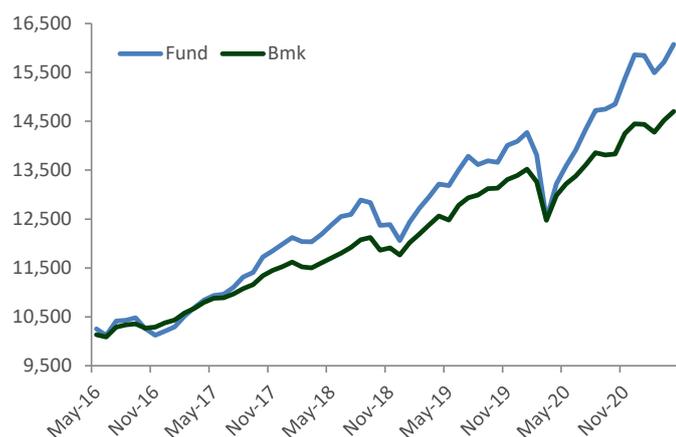
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.31%	1.43%	21.59%	9.65%	9.95%	10.17%
Benchmark <sup>2</sup>	1.24%	1.82%	13.23%	8.20%	8.01%	8.36%
Retail <sup>3</sup>	2.52%	1.06%	20.51%	8.64%		
KiwiSaver <sup>3</sup>	2.52%	1.07%	20.57%	8.96%		

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 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.



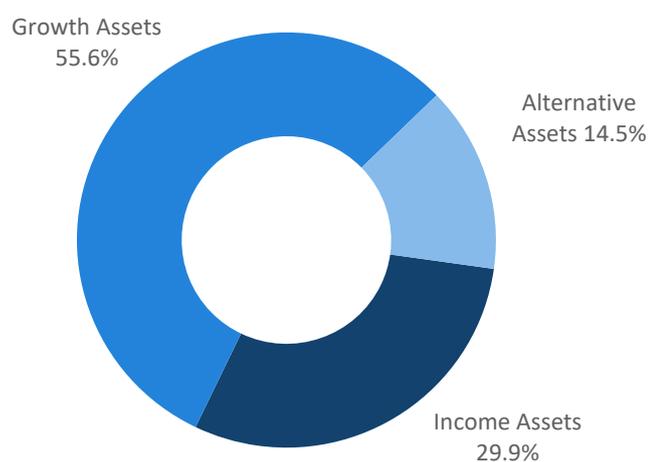
## Overview

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	0.65%	0.69%	-2.30%	-1.93%	-0.01%	-2.35%	5.17%	3.84%	10.0%	10.0%
NZ Corporate Bond Fund	0.42%	0.37%	-1.22%	-0.84%	1.92%	1.17%	5.44%	4.54%	9.9%	10.0%
Option Fund	4.04%	0.35%	-3.75%	1.06%	7.32%	4.29%	-11.76%	5.25%	5.0%	5.0%
Global Bond Fund	0.53%	0.26%	-2.27%	-1.69%	3.25%	0.07%	5.97%	4.22%	9.9%	10.0%
Core Equity Fund	1.68%	1.36%	-2.25%	-2.83%	19.92%	21.56%	12.44%	15.59%	13.1%	13.0%
Property Fund	1.28%	1.17%	-1.96%	-2.71%	29.31%	23.26%	15.87%	15.31%	5.0%	5.0%
Concentrated Equity Fund	3.08%	0.32%	1.37%	1.16%	22.28%	5.15%	9.97%	5.99%	8.1%	8.0%
Global Shares Funds	4.59%	3.11%	10.24%	9.97%	45.45%	35.93%	18.94%	12.59%	26.5%	26.0%
Multi-Strategy Alternative	1.09%	0.62%	2.30%	-0.91%	19.01%	-1.12%	7.44%	2.12%	9.5%	10.0%
ARK Fund	-2.11%	0.80%	-12.64%	2.41%					2.9%	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](http://www.nikkoam.co.nz).

## Market Commentary

The new financial year began with market optimism with the continued roll out of COVID vaccination programmes, and the expected and desired opening up of economies and borders. With central banks continuing to promise support and to 'look through' any inflationary pressures that are appearing, the short-term support for markets was strong, reflected in equity markets pushing higher. Also, after a period of rising bond yields (ie falls in value for bond holders), longer term yields fell back slightly resulting in modest gains for bond investors. The New Zealand dollar regained some ground against all major global currencies after showing some weakness earlier in 2021, and is now considerably higher against those currencies than it was a year ago. This means that assets valued in foreign currency performed less well when considered in NZ dollar terms, and investors who were 'hedged' will have outperformed the equivalent 'unhedged' assets. With global trade and travel showing signs of getting ready to start moving again, there was the inevitable surge in commodity prices; but this may also be attributed to the known inflation spike that is increasingly being seen in the economic data, and so investors are seeking assets which will provide some protection should the inflation prove to be either higher and/or more sustained than anticipated. This is also evident in the TIPS (US index linked bonds) market where yields continue to fall as investors push up the price in expectation of inflation being higher than what had previously been priced in.

## Fund Commentary

April returned strong investment gains for investors in the fund. Currency hedging in the global bond and equity portfolios also enhanced returns as the NZ dollar strengthened; however, as noted in previous commentaries, we do not seek to add value from currency positions, but rather seek to smooth out currency volatility over time, and also believe that having some foreign currency exposure via unhedged assets has value from a diversification perspective. Having recently reviewed the fund's strategic asset allocation (SAA) it was determined that no changes were to be made at this time and that the current allocations remained appropriate for the long term objectives of the fund, albeit that generating the desired inflation adjusted returns is challenging in this environment, especially if inflation levels do pick up. Every sector produced positive returns with the exception of the ARK strategy which fell again during the month, but is still up over 75% over 1 year. In April, Global Shares provided the largest uplift to the portfolio, and all sectors were supported by the managers outperforming their respective benchmarks. The month's strong performance led to a reversal of the losses from earlier in the year, and the fund is showing returns broadly in line with expectations in the calendar year to date.

### 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 17.76%

#### 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: 0.94%, refer PDS for more details

KiwiSaver: 0.94%, refer PDS for more details.

#### Buy / Sell spread

[Click to view](#)

#### Strategy size

\$403.6m

#### Strategy Launch

April 1994

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

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