

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 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

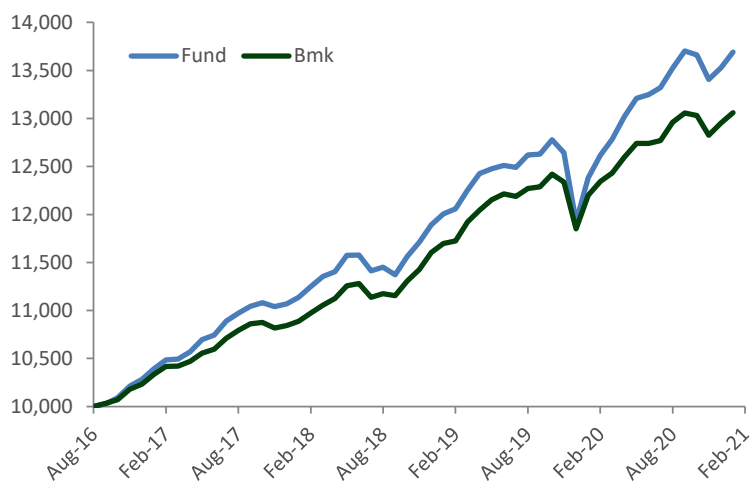
- April returned strong investment gains for investors in the fund.
- Every sector produced positive returns, with global shares providing the largest uplift, and all sectors being supported by the managers outperforming their respective benchmarks.
- The month's strong performance led to a recovery of the losses from earlier in the year.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.21%	0.22%	10.57%	7.13%		
Benchmark ²	0.84%	0.22%	7.07%	6.26%		
Retail ³	1.36%	0.00%	10.12%	6.46%		
KiwiSaver ³	1.36%	0.02%	10.08%	6.71%		

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.



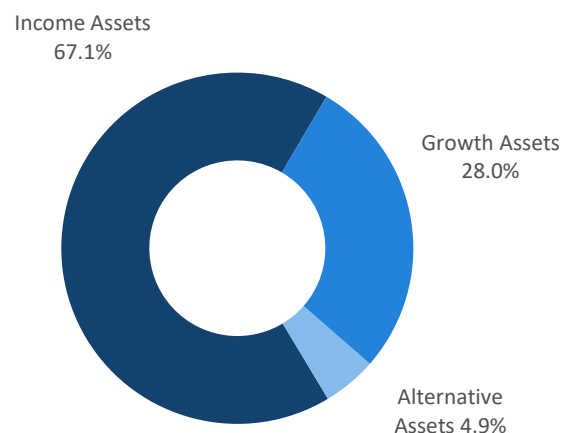
Overview

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	0.07%	0.03%	0.21%	0.07%	1.39%	0.28%	2.16%	1.21%	15.1%	15.0%
NZ Bond Fund	0.65%	0.69%	-2.30%	-1.93%	-0.01%	-2.35%	5.17%	3.84%	17.3%	17.5%
NZ Corporate Bond Fund	0.42%	0.37%	-1.22%	-0.84%	1.92%	1.17%	5.44%	4.54%	17.3%	17.5%
Global Bond Fund	0.53%	0.26%	-2.27%	-1.69%	3.25%	0.07%	5.97%	4.22%	17.3%	17.5%
Core Equity Fund	1.68%	1.36%	-2.25%	-2.83%	19.92%	21.56%	12.44%	15.59%	8.6%	8.5%
Property Fund	1.28%	1.17%	-1.96%	-2.71%	29.31%	23.26%	15.87%	15.31%	5.1%	5.0%
Global Shares Funds	4.59%	3.11%	10.31%	9.97%	45.59%	35.93%	18.97%	12.59%	14.3%	14.0%
Multi-Strategy Alternative	1.09%	0.62%	2.30%	-0.91%	19.01%	-1.12%	7.44%	2.12%	4.9%	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 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 Global Shares providing the largest uplift, and all sectors being supported by the managers outperforming their respective benchmarks. The month’s strong performance led to a recovery of the losses from earlier in the year.

Key Fund Facts			
Distributions	Estimated annual fund charges (incl. GST)		
Generally does not distribute	Wholesale: Negotiated outside of fund		
	Retail:	0.71%, refer PDS for more details	
	KiwiSaver:	0.71%, refer PDS for more details.	
Hedging	Buy / Sell spread	Strategy size	Strategy Launch
Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation.	Click to view	\$87.5m	August 2016
Currently the fund’s foreign currency exposure is 7.29%			

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

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