

Factsheet 30 June 2021

# 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

- Markets rose strongly in June, with NZ equities recovering from the May fall to post larger than anticipated returns for the month and quarter.
- Global equity markets were also strongly positive (about 1% in local currency terms, which is roughly double what would be expected in an 'average' month).
- Domestic bonds were a little soft, but provided a positive return, whilst global bonds (as measured by the Barclay's Global Aggregate Index) rose in value by around 0.5% during the month, and 1% for the quarter which is also well above the forward looking expected rate of return from that sector.

## Fund Highlights

- The fund produced a strong return for the month and quarter ended June, with returns significantly above the levels expected from our forward-looking estimates.
- In addition to the general upwards trend in both equity and bond markets, the fund benefitted from noticeable outperformance in the NZ equity sector and outperformance in the bond sectors, but these were offset by underperformance in global shares.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	0.86%	1.70%	7.62%	6.61%		
Benchmark <sup>2</sup>	0.90%	1.45%	5.69%	5.93%		
Retail <sup>3</sup>	0.81%	1.65%	7.18%	6.07%		
KiwiSaver <sup>3</sup>	0.82%	1.66%	7.18%	6.22%		

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<sup>1, 2</sup>



## 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.



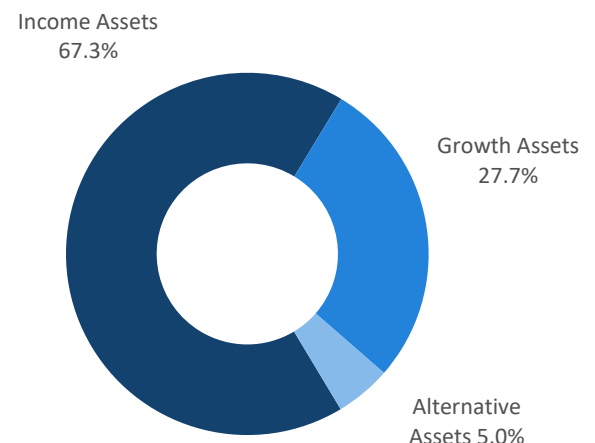
## Overview

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%	0.22%	0.08%	1.12%	0.30%	2.05%	1.12%	15.20%	15.00%
NZ Bond Fund	0.21%	0.12%	0.22%	0.09%	-1.72%	-3.00%	4.55%	3.20%	17.36%	17.50%
NZ Corporate Bond Fund	0.20%	0.12%	0.22%	0.10%	-0.03%	-0.22%	4.92%	4.01%	17.36%	17.50%
Global Bond Fund	0.58%	0.51%	1.41%	1.01%	1.59%	0.01%	6.07%	4.28%	17.38%	17.50%
Core Equity Fund	3.30%	2.79%	2.65%	0.86%	12.36%	11.21%	10.19%	13.16%	8.54%	8.50%
Property Fund	1.74%	1.18%	3.56%	2.39%	25.20%	21.07%	14.54%	13.94%	5.01%	5.00%
Global Shares Funds	2.04%	3.24%	6.41%	7.29%	36.60%	33.48%	18.57%	13.42%	14.19%	14.00%
Multi-Strategy Alternative	0.34%	0.27%	0.55%	0.57%	13.90%	0.66%	6.79%	1.17%	4.97%	5.00%

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

Markets rose strongly in June, with NZ equities recovering from the May fall to post larger than anticipated returns for the month and quarter. In a similar reversal from May, the NZ dollar weakened resulting in foreign currency assets appreciating in value in NZ dollar terms. Global equity markets were also strongly positive (about 1% in local currency terms, which is roughly double what would be expected in an ‘average’ month). Domestic bonds were a little soft, but provided a positive return, whilst global bonds (as measured by the Barclay’s Global Aggregate Index) rose in value by around 0.5% during the month, and 1% for the quarter which is also well above the forward looking expected rate of return from that sector. As the vaccination rollout for COVID-19 continues to progress globally, economies are opening up step-by-step which is leading to aggregate demand increasing whilst at the same time aggregate supply is still constrained by supply-chain difficulties. As a result, it is no surprise that inflation is lifting around the world. The message from central banks continues to be that this is ‘transitory’ and that inflation levels will revert to acceptable and normalised levels in due course. As this messaging is also being accompanied with mechanisms (mostly QE style operations) to keep longer end yields suppressed, there is little sign that markets are worried about bond yields shooting up any time soon. However, markets are starting to anticipate short-end policy driven interest rates begin to rise earlier than had previously been expected – for example the expectation is now that the US will raise rates twice before the end of 2023 whereas previously it was anticipated that no rises would occur before 2024 at the earliest.

### Fund Commentary

The fund produced a strong return for the month of June and the June quarter, with returns significantly above the levels expected from our forward-looking estimates. In addition to the general upwards trend in both equity and bond markets, the fund benefitted from noticeable outperformance in the NZ equity sector and outperformance in the bond sectors, but these were offset by underperformance in global shares. As we’ve observed before, we do not expect currency to materially affect overall returns over time, however it can create noticeable volatility over shorter time periods; the month of June was a good example of this with unhedged assets providing strong outperformance over their hedged counterparts. However, over a three-year timeframe the difference is trivial. By having an approach of hedging some foreign currency assets but leaving some foreign currency unhedged we can reduce the overall volatility without sacrificing return.

Key Fund Facts			
<b>Distributions</b>	Generally does not distribute		<b>Estimated annual fund charges (incl. GST)</b>
<b>Hedging</b>	Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund’s foreign currency exposure is 8.0%		Wholesale: Negotiated outside of fund
			Retail: 0.71%, refer PDS for more details
			KiwiSaver: 0.71%, refer PDS for more details.
	<b>Buy / Sell spread</b>	<b>Strategy size</b>	<b>Strategy Launch</b>
	<a href="#">Click to view</a>	\$91.1m	August 2016

### Compliance

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

### Contact Us

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