

Factsheet 31 August 2021

# NIKKO AM GLOBAL BOND STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Bond Fund. Nikko AM Global Bond Fund (retail) invests in units in the wholesale fund, which this commentary refers to.

## Market Overview (source: GSAM)

- The main macro event in August was the Jackson Hole symposium, during which US Federal Reserve (Fed) Chair Powell gave a dovish speech. He noted that substantial progress had been made on the Fed's labour market mandate, however, he reiterated that recent inflation is largely driven by temporary factors. These comments eased nerves about the pace of monetary policy normalization and supported risk assets into month-end.

## Fund Highlights

- The portfolio outperformed its benchmark over the month of August, driven by our Duration and Cross Sector strategies. There were no detracting strategies over the month.
- The outperformance of our Duration strategy was mainly driven by our overweight front-end (shorter maturity) Canadian rates positioning as well as our tactical positioning in US rates.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale <sup>1</sup>	-0.05%	1.93%	1.49%	6.38%	4.48%	5.94%
Benchmark <sup>2</sup>	-0.19%	1.58%	0.75%	4.52%	3.22%	5.23%
Retail <sup>3</sup>	0.18%	1.96%	0.95%	5.51%	3.57%	

1. Returns are before tax and before the deduction of fees. Based on actual calendar periods.

2. Benchmark: Bloomberg Barclays Global Aggregate Index, hedged into NZD. 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.

## Five Year Cumulative Performance, \$10,000 invested<sup>1, 2</sup>



## Investment Manager

Nikko AM NZ uses Goldman Sachs Asset Management Australia Pty Ltd (GSAM) for the management of global fixed interest assets. Established in 1988, GSAM is one of the world's leading asset managers. GSAM's Global Fixed Income Team manages over US\$525 billion of global fixed income and currency assets.

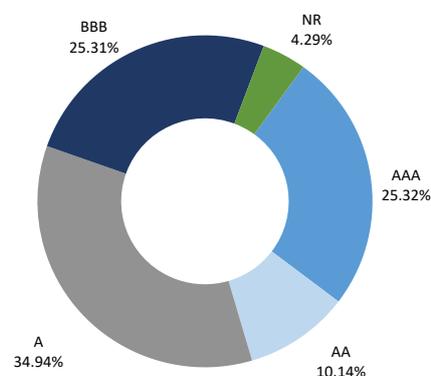
## Overview

The Strategy aims to provide investors with regular income by constructing an actively managed investment portfolio of permitted investments, with the potential for capital gain from global fixed interest markets.

## Objective

The Strategy aims to outperform the benchmark return by 1% per annum before fees, expenses and taxes over a rolling three-year period.

## Credit Quality



Sector Allocation (% of fund)	Fund	Index
Governments	32.70%	46.56%
Agency	1.72%	8.26%
Collateralised & MBS	24.58%	11.33%
Credit	29.60%	20.17%
Emerging market debt	12.58%	13.67%
Cash, derivatives, other*	-1.16%	0.01%

\*includes deferred settlements

Duration
Fund 7.18 years vs Benchmark 7.37 years

Yield to Maturity
Fund (gross) 1.74% vs Benchmark 1.15%

### Market Commentary (source: GSAM)

The main macro event in August was the Jackson Hole symposium, during which US Federal Reserve (Fed) Chair Powell gave a dovish speech. He noted that substantial progress had been made on the Fed’s labour market mandate, however, he reiterated that recent inflation is largely driven by temporary factors. These comments eased nerves about the pace of monetary policy normalization and supported risk assets into month-end. New corporate bond supply increased sharply in the European investment grade market, with €28bn of new issuance reflecting a 90% increase relative to August 2020. By contrast, US investment grade supply was down 40% relative to a year earlier but has picked up in early September as companies seek to issue debt ahead of potential rate increases and to fund merger and acquisition activity.

### Fund Commentary (source: GSAM)

The portfolio outperformed its benchmark over the month of August, driven by our Duration and Cross Sector strategies. There were no detracting strategies over the month.

The outperformance of our Duration strategy was mainly driven by our overweight front-end (short term) Canadian rates positioning as well as our tactical positioning in US rates. Front-end rates in Canada were anchored by weak second quarter GDP growth data and curve steepening. Steepening in global yield curves also benefitted our UK curve steepening position.

Our Cross Sector strategy also contributed, owing to our overweight sector positioning in Emerging Market Debt. EM credit posted positive returns in August. A dovish take on Fed Chair Powell’s speech at the Jackson Hole symposium supported risk assets (including EMD) into month-end.

We remain overweight fixed income spread sectors including corporate bonds, while we are underweight Agency mortgage backed securities (MBS). Among macro markets, we are broadly neutral on the US dollar and overweight the euro and currencies from economies that are geared toward the European recovery.

Key Fund Facts			
<b>Distributions</b>		<b>Estimated annual fund charges (incl. GST)</b>	
Wholesale fund:	Calendar quarter	Wholesale:	Negotiated outside of unit price
Retail fund:	Calendar quarter	Retail:	0.80%, refer PDS for more details
<b>Hedging</b>		<b>Buy / Sell spread</b>	<b>Strategy size</b>
All investments will be hedged to New Zealand dollars within an operational range of 98.5% - 101.5%.		0.00% / 0.00%	\$468.1m
<b>Exclusions:</b> Investments in tobacco manufacturers and ‘controversial weapons’.		<b>Strategy Launch</b>	October 2008
<b>Restrictions:</b> Thermal coal mining and extraction, oil tar sands extraction. For more information please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .			

### Compliance

The Fund complied with its investment mandate and trust deed during the month.

### Contact Us

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