

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

- September saw losses across nearly all sectors and regions, with the NZ equity market being a bit of an outlier posting a solid 0.63% return (NZX50).
- There were a number of factors that could explain why markets sold off in September; from the worry about inflation and rates in bond markets, to stretched valuations and the potential for rate rises to impact equity markets.
- But perhaps underlying the weakening sentiment is the ongoing problems we're observing in strained global supply chains being unable to meet the post COVID demand in the economies now starting to open up.

Fund Highlights

- The pull back in markets in September saw the fund lose value during the month, and whilst the return for the quarter was positive, it was quite weak.
- For both the month and the quarter, the weaker NZ dollar has meant that foreign currency exposures helped to reduce the losses, again demonstrating the benefit of having some unhedged assets as a means of reducing volatility in the fund's performance.
- We believe that the more recent experience of lower returns and monthly swings is more likely to continue for the time being than the surging uplifts in markets experienced over the past few years.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	-1.74%	0.78%	11.56%	8.62%	9.44%	11.13%
Benchmark ²	-1.05%	0.89%	8.74%	7.39%	7.71%	8.79%
Retail ³	-1.58%	0.73%	11.10%	7.84%		
KiwiSaver ³	-1.58%	0.72%	11.11%	8.04%		
Market index ⁴	-1.13%	0.90%	11.48%	9.12%		

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).

4. Market index: See Other material Information document for composite details.

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.



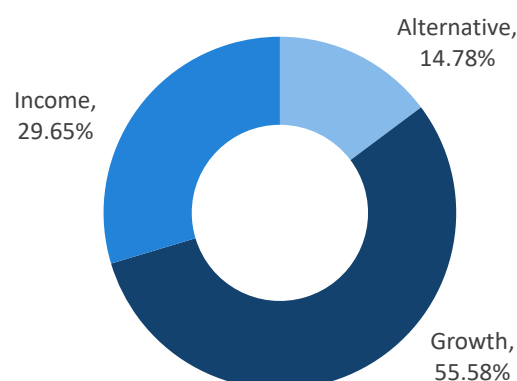
Overview

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	-0.78%	-0.87%	-0.87%	-1.17%	-5.61%	-6.14%	3.69%	2.28%	9.86%	10.00%
NZ Corporate Bond Fund	-0.42%	-0.51%	-0.80%	-1.05%	-3.08%	-2.76%	4.12%	3.13%	9.90%	10.00%
Global Bond Fund	-0.94%	-0.96%	0.39%	0.09%	0.28%	-0.59%	6.13%	4.32%	9.90%	10.00%
Core Equity Fund	0.83%	0.63%	6.25%	5.17%	16.02%	13.72%	11.87%	13.24%	13.59%	13.00%
Concentrated Equity Fund	0.54%	0.42%	5.06%	1.30%	18.43%	5.25%	12.23%	5.81%	8.30%	8.00%
Property Fund	-2.70%	-3.35%	4.04%	3.27%	14.15%	10.24%	13.93%	13.00%	5.00%	5.00%
Global Shares Funds UnH	-3.71%	-2.19%	1.38%	0.22%	23.19%	22.11%	16.76%	11.10%	13.01%	13.00%
Global Shares Funds Hedged	-5.78%	-4.20%	0.36%	-0.67%	30.09%	28.36%	16.54%	11.26%	12.74%	13.00%
ARK Fund	-6.66%	0.80%	-12.94%	2.41%					2.94%	3.00%
Option Fund	-0.12%	0.35%	0.72%	1.08%	2.77%	4.33%	-12.27%	5.02%	5.06%	5.00%
Multi-Strategy Alternative	-0.38%	0.27%	-2.29%	0.84%	8.17%	3.33%	4.22%	4.01%	9.71%	10.00%

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.

Market Commentary

September saw losses across nearly all sectors and regions, with the NZ equity market being a bit of an outlier posting a solid 0.63% return (NZX50). There were a number of factors that could explain why markets sold off in September; from the worry about inflation and rates in bond markets, to stretched valuations and the potential for rate rises to impact equity markets. But perhaps underlying the weakening sentiment is the ongoing problems we're observing in strained global supply chains being unable to meet the post COVID demand in the economies now starting to open up. Linked to the weakness in global supply chains is the increased geopolitical tensions seen in the US/China flare-ups, but also energy supply issues weighing on various markets – we've heard of shutdowns in China, as well as limited gas supply reaching Europe from Russia (also a political flashpoint). None of these factors are calming for equity markets, and whilst that may lead investors to seek safety in bonds, for the above-mentioned reasons around inflation, as well as moves from central banks to remove liquidity from economies that are starting to expand again, yields continue to generally push higher.

Fund Commentary

The pull back in markets in September saw the fund lose value during the month, and whilst the return for the quarter was positive, it was quite weak. The alternative sectors (multi-strategy and option funds) did a good job of softening the falls in the equity and bond markets, but both were slightly negative for the month. The ARK Disruptive Innovation Fund has been hurt from the 'risk-off' sentiment and concerns over stretched equity valuations and underperformed the wider global equity markets. The outperformance of our NZ equity funds provided some offsetting upside to the fund's total returns, but clearly wasn't able to absorb all the downside coming from the other sectors. For both the month and the quarter, the weaker NZ dollar has meant that foreign currency exposures helped to reduce the losses, again demonstrating the benefit of having some unhedged assets as a means of reducing volatility in the fund's performance. We believe that the more recent experience of lower returns and monthly swings is more likely to continue for the time being than the surging uplifts in markets experienced over the past few years.

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 18.62%

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

\$449.5m

Strategy Launch

April 1994

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

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on nikkoam.co.nz.