

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

- 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

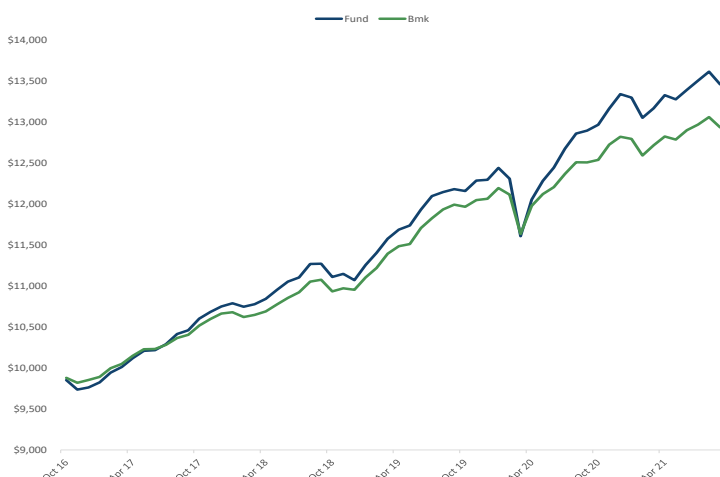
- The pull back in markets in September saw the fund lose value during the month, and whilst the return for the quarter was positive, it was quite weak.
- For both the month and the quarter, the weaker NZ dollar has meant that foreign currency exposures helped to reduce the losses, again demonstrating 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 (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.15%	0.50%	4.37%	6.09%	6.13%	
Benchmark ²	-0.95%	0.27%	3.42%	5.31%	5.29%	
Retail ³	-1.06%	0.47%	3.96%	5.60%		
KiwiSaver ³	-1.06%	0.46%	3.95%	5.70%		
Market index ⁴	-0.90%	0.12%	4.01%	5.60%		

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

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.



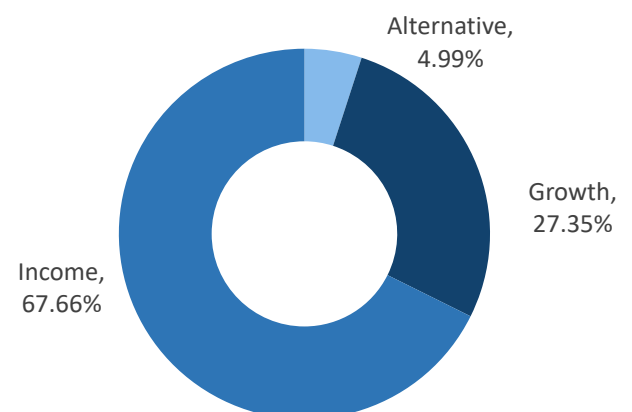
Overview

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%	0.02%	0.19%	0.10%	0.89%	0.32%	1.87%	0.98%	15.10%	15.00%
NZ Bond Fund	-0.78%	-0.87%	-0.87%	-1.17%	-5.61%	-6.14%	3.69%	2.28%	17.50%	17.50%
NZ Corporate Bond Fund	-0.42%	-0.51%	-0.80%	-1.05%	-3.08%	-2.76%	4.12%	3.13%	17.56%	17.50%
Global Bond Fund	-0.94%	-0.96%	0.39%	0.09%	0.28%	-0.59%	6.13%	4.32%	17.50%	17.50%
Core Equity Fund	0.83%	0.63%	6.25%	5.17%	16.02%	13.72%	11.87%	13.24%	8.71%	8.50%
Property Fund	-2.70%	-3.35%	4.04%	3.27%	14.15%	10.24%	13.93%	13.00%	4.92%	5.00%
Global Shares Funds UnH	-3.71%	-2.19%	1.38%	0.22%	23.19%	22.11%	16.76%	11.10%	6.93%	7.00%
Global Shares Fund Hedged	-5.78%	-4.20%	0.36%	-0.67%	30.09%	28.36%	16.54%	11.26%	6.79%	7.00%
Multi-Strategy Alternative	-0.38%	0.27%	-2.29%	0.84%	8.17%	3.33%	4.22%	4.01%	4.99%	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

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 sector (multi-strategy) did a good job of softening the falls in the equity and bond markets, but both were slightly negative for the month. 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 7.33%

Estimated annual fund charges (incl. GST)

Wholesale: Negotiated outside of fund
Retail: 0.71%, refer PDS for more details
KiwiSaver: 0.71%, refer PDS for more details.

Buy / Sell spread

[Click to view](#)

Strategy size

\$96m

Strategy Launch

August 2016

Compliance

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

Contact Us

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