

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

- 2022 began with all market sectors posting falls in value with the exception of cash.
- The New Zealand equity market dropped by around 9% in the month of January and global markets weren't much better, however the sharp drop in the NZ dollar meant that for those who held equities in foreign currency the losses were mitigated significantly.

Fund Highlights

- The fund experienced a significant fall in value as both equities and bonds produced negative returns in the broad sell-off and only cash providing some protection from falling values.
- The global shares strategy performed worse than the market as a whole with having a higher exposure to companies exhibiting 'quality' characteristics and biotechnology, and not having exposure to the oil and energy sectors that performed particularly well.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	-4.76%	-4.15%	0.06%	8.44%	9.02%	10.24%
Benchmark ²	-2.48%	-1.13%	3.23%	7.44%	7.38%	8.35%
Retail ³	-5.61%	-4.92%	-1.86%	7.29%		
KiwiSaver ³	-5.60%	-4.91%	-1.82%	7.45%		
Market index ⁴	-3.90%	-2.61%	2.82%	9.39%	9.00%	

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.



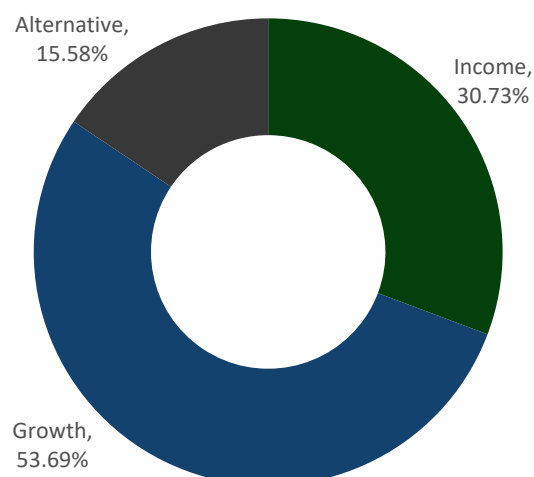
Overview

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	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 Bond Fund	-0.90%	-0.86%	0.25%	0.35%	-5.92%	-6.10%	2.10%	0.73%	10.20%	10.00%
NZ Corporate Bond Fund	-0.53%	-0.45%	0.24%	0.18%	-4.18%	-3.82%	2.70%	1.86%	10.27%	10.00%
Global Bond Fund	-1.55%	-1.61%	-0.76%	-1.19%	-2.63%	-2.28%	4.59%	2.93%	10.27%	10.00%
Core Equity Fund	-8.97%	-8.78%	-8.52%	-9.15%	-5.30%	-8.84%	10.29%	10.58%	12.78%	13.00%
Concentrated Equity Fund	-8.04%	0.48%	-8.91%	1.40%	0.38%	5.38%	12.01%	5.69%	7.87%	8.00%
Property Fund	-5.28%	-4.67%	-3.23%	-2.13%	0.04%	-1.09%	11.31%	10.44%	5.00%	5.00%
Global Shares Funds UnH	-3.99%	-0.87%	1.25%	5.17%	18.77%	24.26%	21.72%	17.54%	13.53%	13.00%
Global Shares Funds Hedged	-9.43%	-6.24%	-9.57%	-5.97%	6.87%	11.45%	16.80%	13.24%	12.49%	13.00%
ARK Fund	-16.72%	0.80%	-32.35%	2.41%	-39.85%	10.00%			2.02%	3.00%
Option Fund	-0.33%	0.40%	4.47%	1.18%	4.43%	4.48%	-9.81%	4.87%	5.52%	5.00%
Multi-Strategy Alternative	-2.14%	0.32%	-1.86%	0.94%	-1.13%	3.47%	4.46%	3.87%	10.06%	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

2022 began with all market sectors posting falls in value with the exception of cash. Fixed Income markets fell as inflation data suggested that the recent inflation figures may remain elevated for longer than previously advised by central banks (one phrase we heard being that inflation could be more persistently transitory!) Linked to this is the plan by many central banks to continue removing money supply particularly through the unwinding of the QE programmes. These interlinked forces of reduced money supply and higher interest rates serve to reduce the value of future cashflows and therefore the values placed on businesses and hence we see equity markets also fall back. The New Zealand equity market dropped by around 9% in the month of January and global markets weren't much better, however the sharp drop in the NZ dollar meant that for those who held equities in foreign currency the losses were mitigated significantly. Within the equity markets, stocks associated with technology were particularly badly hurt due to widespread selling (some of it quite indiscriminate), whereas energy stocks generally performed well with surging energy prices as demand outstrips supply (which feeds back into the high inflation figures), and so companies such as Shell, BP and Exxon Mobil increased in value by over 25% in the month of January.

Fund Commentary

The fund experienced a significant fall in value as both equities and bonds produced negative returns in the broad sell-off and only cash providing some protection from falling values. The global shares strategy performed worse than the market as a whole with having a higher exposure to companies exhibiting 'quality' characteristics and biotechnology, and not having exposure to the oil and energy sectors that performed particularly well. However, the focus for the portfolio manager remains on finding good companies that they want to own over the longer term and are less concerned about short-term volatility in pricing. The ARK strategy also suffered from the ongoing technology sell off, and the manager now believes that the companies are trading at such cheap prices that they are buying into the indiscriminate selling in order to increase exposure to companies with strong balance sheets, good earnings and a positive outlook, believing that market sentiment towards the sector must change as the good companies are sifted from the poorer ones. Looking forward we expect that volatility both within and across different sectors will remain high, and we reiterate previous comments that trying to time these swings in switching between sectors is unlikely to add value; however, a well-diversified portfolio that seeks appropriate exposure to different sources of return for the accepted amount of overall risk should deliver on its objectives over the longer term.

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 19.53%

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

\$430m

Strategy Launch

April 1994

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

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

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