

Factsheet 28 February 2022

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

- Global markets were generally down over February with COVID-19, inflation concerns, rising interest rates, company earnings and the invasion of Ukraine all having an impact.

Fund Highlights

- Positive returns from NZ equities, the multi-strategy fund and cash were insufficient to offset falls in global equities and bonds.
- Currency hedging added value to protect against the rising NZ dollar.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	-1.62%	-4.33%	0.70%	7.02%	8.20%	9.89%
Benchmark ²	-1.08%	-1.84%	3.25%	6.52%	6.85%	8.11%
Retail ³	-0.80%	-5.02%	-0.24%	6.19%		
KiwiSaver ³	-0.80%	-5.01%	-0.21%	6.33%		
Market index ⁴	-1.63%	-3.59%	2.79%	8.00%	8.27%	

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.



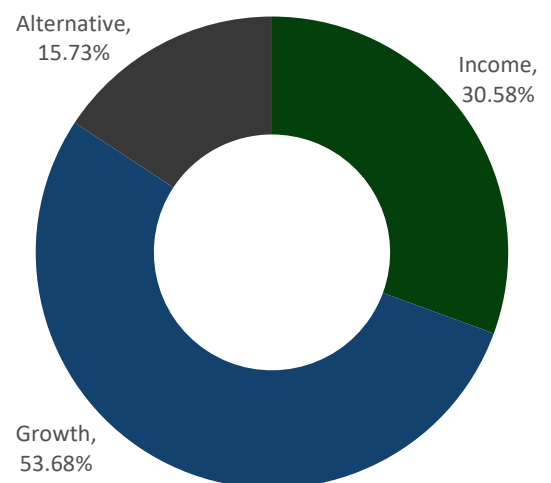
Overview

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	-0.69%	-0.75%	-0.91%	-1.13%	-3.22%	-3.75%	1.66%	0.30%	10.21%	10.00%
NZ Corporate Bond Fund	-0.59%	-0.57%	-0.67%	-0.67%	-2.86%	-2.97%	2.32%	1.52%	10.27%	10.00%
Global Bond Fund	-1.86%	-1.25%	-3.45%	-3.19%	-1.92%	-1.98%	3.88%	2.48%	10.10%	10.00%
Core Equity Fund	1.27%	0.75%	-4.65%	-5.75%	3.05%	-1.41%	9.40%	9.49%	13.10%	13.00%
Concentrated Equity Fund	-0.58%	0.43%	-5.38%	1.39%	5.72%	5.42%	10.63%	5.66%	7.91%	8.00%
Property Fund	-2.89%	-2.78%	-2.06%	-1.12%	1.04%	0.48%	9.63%	8.83%	4.89%	5.00%
Global Shares Funds UnH	-5.91%	-5.46%	-6.49%	-3.38%	10.59%	15.83%	17.11%	13.68%	13.17%	13.00%
Global Shares Funds Hedged	-1.97%	-1.40%	-6.97%	-3.85%	2.38%	6.91%	14.80%	11.75%	12.65%	13.00%
ARK Fund	-9.09%	0.80%	-32.53%	2.41%	-41.54%	10.00%			1.96%	3.00%
Option Fund	-0.92%	0.40%	2.74%	1.19%	8.12%	4.53%	-10.44%	4.85%	5.47%	5.00%
Multi-Strategy Alternative	1.21%	0.32%	-1.34%	0.95%	-3.68%	3.53%	4.48%	3.84%	10.26%	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

Following the market sell off in January, the trend remained downwards during February as well. The NZ & Australian share markets moved slightly against that trend with positive returns, whilst developed global markets were generally down between 0-3% over the month. For NZ investors, currency hedging added value to protect against the rising NZ dollar which offset the opposite movement during January. Generally the same factors that were weighing on markets in January (tightening money supply, higher interest rates, increasing inflation fears) continued through February, but with the added uncertainty created by Russia's military attacks on Ukraine. Accordingly, we saw energy stocks generally perform well with increases in energy prices improving their earnings (notwithstanding that some energy firms took significant losses on their Russian assets as they shunned Russian operations), and technology stocks generally struggled due to valuation concerns over rising interest rates even where such companies have strong cashflows and earnings outlooks. One aspect of change since the end of January is that the geopolitical conflict could bring forward the anticipated global slowdown and also make it worse which would weaken the case for interest rates to rise as far or as fast as previously expected. Should this narrative start to be heard from central banks, then markets may re-assess their expectation on when, and at what level, interest rates will peak in this cycle.

Fund Commentary

With most sectors falling in value, it's no surprise that the fund as a whole produced a negative return for the month. Positive returns from NZ equities and the multi-strategy fund were insufficient to offset falls in global equities and bonds (both domestic and global). During the month we took the decision to amend our mandates to prohibit the holding of Russian listed entities, or Russian entities issuing in offshore markets. Whilst the global share funds had no exposure to Russian equities, the global bond fund had a tiny amount of US dollar issued debt from two Russian companies which have been sold and a negligible exposure to Russian sovereign debt which can't be traded due to sanctions. JPMAAM has also removed a 0.05% exposure to Russian assets in the multi-strategy fund and also imposed a prohibition from acquiring Russian assets at this time. This position will be reviewed in due course, and particularly if the broader sanctions against Russia are amended. We expect volatility both within and across sectors to remain, and in this environment especially, are pleased to have exposure to 'alternative' asset sectors, which help to reduce the overall volatility in the fund whilst still contributing to the fund's return objectives.

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 18.31%.

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

\$424.6m

Strategy Launch

April 1994

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

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