

# 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

- There were widespread losses in financial markets over the month of April as markets reacted negatively to a combination of a deteriorating economic outlook and geopolitical tensions.
- From a New Zealand perspective, investors who had assets in foreign currency were spared some of the pain from the sell-off due to the NZ dollar weakening (ie foreign currency became more valuable over the month of April in NZ dollar terms).

## Fund Highlights

- Growth (shares and property) sectors fell heavily. Global equities fell by more than domestic equities reversing some of the underperformance by NZ equities earlier in the year.
- The NZ bond market fared worse than its global counterparts during the sell-off in late 2021, but this has reversed in 2022 year-to-date with NZ bonds falling by less than global bonds.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale <sup>1</sup>	-3.55	-5.13	-6.41	4.41	6.76	9.21
Benchmark <sup>2</sup>	-2.27	-3.14	-1.81	4.73	5.98	7.63
Retail <sup>3</sup>	-3.38	-4.08	-6.85	3.72		
KiwiSaver <sup>3</sup>	-3.38	-4.08	-6.82	3.83		

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).

## Five Year Cumulative Performance<sup>1, 2</sup>



## 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.



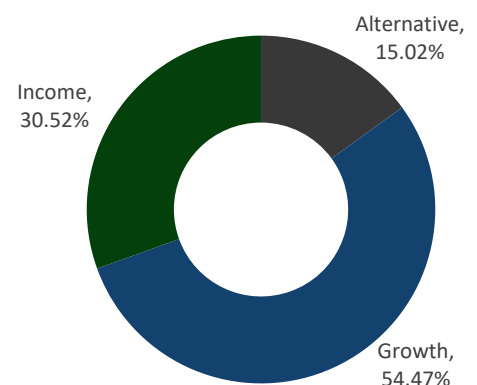
## Overview

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	-2.05	-1.95	-4.69	-4.68	-8.23	-8.73	-0.21	-1.47	10.18	10.00
NZ Corporate Bond Fund	-1.34	-1.25	-3.31	-3.24	-6.21	-6.15	0.92	0.25	10.26	10.00
Global Bond Fund	-3.24	-2.84	-6.93	-6.03	-7.27	-6.59	1.33	0.22	10.08	10.00
Core Equity Fund	-1.80	-1.86	0.95	0.22	-2.21	-5.98	7.38	6.62	13.40	13.00
Concentrated Equity Fund	-1.95	0.50	-0.09	1.44	-1.07	5.57	8.92	5.63	8.24	8.00
Property Fund	-3.01	-3.50	-4.59	-4.96	-2.64	-3.38	6.80	5.62	5.00	5.00
Global Shares Funds UnH	-1.87	-1.41	-7.58	-7.35	-0.49	4.53	13.54	10.41	13.57	13.00
Global Shares Funds Hedged	-9.42	-9.14	-7.62	-7.23	-10.53	-5.78	10.57	7.83	12.64	13.00
ARK Fund	-21.03	0.80	-33.80	2.41	-54.42	10.00			1.62	3.00
Option Fund	-6.71	0.43	-13.43	1.25	-6.07	4.68	-14.61	4.81	4.66	5.00
Multi-Strategy Alternative	-1.69	0.35	0.87	1.01	-2.80	3.67	3.84	3.80	10.35	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](http://www.nikkoam.co.nz).

## Market Commentary

There were widespread losses in financial markets and assets over the month of April as markets reacted negatively to a combination of a deteriorating economic outlook, concerns over policy maker actions in dealing with inflation and the ongoing geopolitical tensions - which are most acutely seen in the Ukraine situation, but also continue around the weakening relationship between China and the Western economies. None of these issues appear to have an improving outlook any time soon, and so markets are not prepared to 'look through' these aspects as temporary, but instead are being considered more systemic over the short to medium term. From a New Zealand perspective, investors who had assets in foreign currency were spared some of the pain from the sell-off due to the NZ dollar weakening (ie foreign currency became more valuable over the month of April in NZ dollar terms). Over three years we've seen foreign currency add more than 2% p.a. to global share portfolios which demonstrates the benefit of currency diversification in portfolios, notwithstanding that we believe currency gains/losses will even out over time.

## Fund Commentary

Whilst both 'income' and 'growth' sectors fell during the month, the largest asset value falls over the month came from the growth sectors and so funds which are more heavily positioned into these sectors (such as equities and property) fell further than the more defensively positioned portfolios. However, given the broad-based nature of the sell-off, the only sector in our funds which returned a positive figure in April was cash. Global equities fell by more than domestic equities reversing some of the underperformance by NZ equities earlier in the year, but over one year domestic equities (as measured by the NZX50) are still lagging global equities (as measured by the MSCI on a 50% hedged basis). In a similar vein, whilst bond markets in NZ fared worse than their global counterparts during the sell-off in late 2021 this has reversed in 2022 year-to-date with the NZ bonds falling by less than global bonds (measured by the Barclays Global Aggregate Index) over the past one, three and six months. Within our 'alternative' asset sectors, the Option Fund has lost value in light of the swift rise in US Treasury rates and has experienced losses not dissimilar to equity markets over the past six months, and the Multi-Strategy hedge fund has been marginally negative over six months but positive over three months – which has been positive for the funds in largely maintaining nominal value as other sectors have fallen. The ARK strategy continues to struggle in this environment and is down more than 50% over the past 12 months, however we maintain our view that it should be judged over the longer period of its investment horizon of seven years and is expected to add value to the portfolio over that timeframe.

## 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 18.7%.

### 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

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### Strategy size

\$399m

### Strategy Launch

April 1994

## Compliance

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

## Contact Us

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