

Nikko AM Balanced Strategy

Monthly Update 30 April 2024

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

- Equities and bonds were both weak over the month.
- The MSCI ACWI (NZD Hedged) was down 2.7% with most developed markets weak. The Bloomberg Global Agg Index (NZD Hedged) was down 1.6% for April.
- The US economy posted a first quarter GDP print that was weaker than expected, following two very strong quarters to end 2023.
- The UK share market was one of the few developed markets to post a positive return, up 2.4%.
- The NZ market lived up to its reputation as a defensive market falling only 1.2%, outperforming Australia where the ASX200 was down 2.9%.

Fund Highlights

- April fund performance was negative in terms of absolute returns and relative returns, with global share and global bond markets giving up some of their recent gains.
- The ARK Disruptive Innovation strategy continued its recent volatility, falling over 10%.
- The global share and Australasia share strategies underperformed their benchmarks, as did both global and local bond funds.
- The local bond funds are positioned with longer duration than the benchmark, and with local bonds selling off this detracted from relative returns.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale¹	-2.39%	3.06%	8.96%	0.60%	4.36%	7.57%
Benchmark²	-1.34%	2.39%	8.96%	3.31%	5.22%	6.88%
Retail³	-2.02%	2.75%	8.70%	-0.09%	3.62%	
KiwiSaver³	-2.04%	2.73%	8.69%	-0.10%	3.68%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any). 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). Based on change in unit price.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Portfolio Manager

Alan Clarke,
Portfolio Manager



Responsible for providing overall management of the diversified funds and for managing external investment managers. Alan has over 20 years' experience in investment management as both an analyst and portfolio manager. Prior to starting at Nikko AM, Alan spent 17 years at ANZ Investments and has also held roles at Theta Capital Management in Amsterdam and Morley Asset Management in London. Joined in 2023.

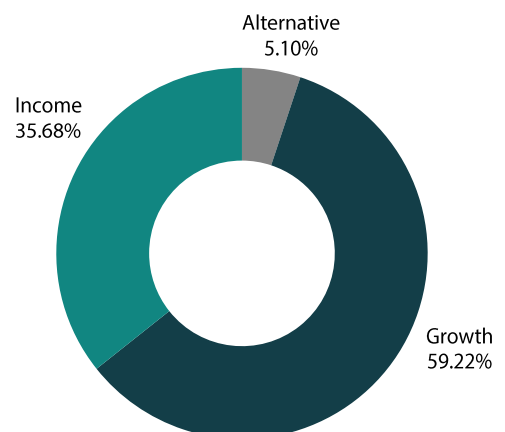
Overview

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 Cash Fund	0.52%	0.46%	1.56%	1.40%	6.49%	5.78%	3.80%	3.32%	4.92%	5.00%
NZ Bond Fund	-1.30%	-1.03%	-0.25%	-0.18%	2.86%	1.90%	-0.97%	-1.88%	11.89%	12.00%
NZ Corporate Bond Fund	-0.81%	-0.46%	0.30%	0.48%	5.12%	4.78%	0.57%	0.44%	7.94%	8.00%
Global Bond Fund	-1.88%	-1.64%	-1.64%	-1.44%	2.69%	1.58%	-2.04%	-2.23%	10.94%	11.00%
Core Equity Fund	-0.81%	-1.22%	1.75%	1.00%	2.36%	0.36%	1.17%	-1.27%	13.07%	13.00%
Concentrated Equity Fund	-2.15%	0.82%	4.07%	2.49%	7.94%	10.51%	2.08%	8.16%	5.13%	5.00%
Property Fund	-2.74%	-2.72%	-2.43%	-2.43%	1.61%	1.40%	-4.40%	-4.79%	5.97%	6.00%
Global Shares Funds Unhedged	-3.50%	-2.25%	10.00%	8.20%	19.81%	22.60%	8.70%	11.19%	15.64%	16.00%
Global Shares Funds Hedged	-4.36%	-2.74%	6.57%	5.39%	15.23%	18.44%	0.64%	3.20%	16.14%	16.00%
ARK Fund	-10.04%	0.80%	1.00%	2.41%	29.75%	10.00%	-21.51%	10.00%	3.26%	3.00%
Multi-Strategy Alternative	-1.03%	0.71%	3.13%	2.15%	8.57%	8.94%	2.12%	6.41%	5.10%	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

Global equity markets finally took a few steps backwards over April after a run of exceptionally strong performance since mid-October last year. Equities and bonds were both weak over the month. The MSCI ACWI (NZD Hedged) was down 2.7% with most developed markets weak. China and Hong Kong equities bucked the trend and continued to recover, outperforming most other markets after disappointing results over 2023. Global bonds were flat over the first quarter, but fell over April as yields moved higher on expectations central banks will not cut rates as aggressively as markets had priced in at the end of 2023. The Bloomberg Global Agg Index (NZD Hedged) was down 1.6% for April. In equities, the MSCI ACWI Index (NZD unhedged) was down 2.1% for April. The Kiwi dollar fell just below US\$0.59 over the month which provided a slight cushion to unhedged investors.

On the economic front, the US economy posted a first quarter GDP print that was weaker than expected, following two very strong quarters to end 2023. This coupled with another inflation print higher than the Federal Reserve would like meant expectations for the first interest rate cut was pushed out further which accounted for some of the weakness in equity markets. With the overall markets weak over April, it was the more defensive sectors that outperformed the broader market. Utilities was one of the few sectors to post a positive return, and consumer staples also did relatively well. Energy also posted small gains despite oil prices falling slightly over the month. Previous sector leaders such as information technology (-5.6%) was one of the laggards over April, while real estate was the weakest sector, falling nearly 7%. On a regional basis (all returns in local currency) Hong Kong was the best performer, up 7.4%, and emerging markets in aggregate posted a positive return (+1.4% in USD terms). The UK share market was one of the few developed markets to post a positive return, up 2.4%. Japan is still the strongest regional market on a year-to-date basis, but it lagged all others and the Nikkei 225 Index fell 4.9% over April. The NZ market lived up to its reputation as a defensive market falling only 1.2%, outperforming Australia where the ASX200 was down 2.9%.

Fund Commentary

April fund performance was negative in terms of absolute returns and relative returns, with global share and global bond markets giving up some of their recent gains. The ARK Disruptive Innovation strategy continued its recent volatility, falling over 10%. The global share and Australasia share strategies underperformed their benchmarks, as did both global and local bond funds. The underperformance from global shares portfolio was driven by weak stock selection in a range of sectors including communications services where Meta and Netflix underperformed. Not owning Alphabet also hurt relative returns as it outperformed over the month. Energy name Schlumberger detracted after the market reacted negatively to the acquisition of Champion X Corporation. The top detractors for ARK include Coinbase Global, Block, CRISPR Therapeutics and Robinhood. Coinbase and Robinhood detracted from the fund this month as Bitcoin and the broader cryptocurrency market shed their gains. On the positive side of the ledger Tesla posted a strong rebound post their earnings report. The local bond funds are positioned with longer duration than the benchmark, and with local bonds selling off this detracted from relative returns. The global bond underperformance was driven by weak security selection in emerging market debt and an overweight to mortgage-backed securities which underperformed amid heightened interest rate volatility.

Key Fund Facts

Estimated annual fund charges (incl. GST):		Distributions:	Generally does not distribute	Strategy Launch:	April 1994
Wholesale:	Negotiated outside of the unit price	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 21.9%.	Strategy size:	\$113.3m
Retail:	0.94%, refer PDS for more details			Buy / Sell spread:	0.09% / 0.09%
KiwiSaver:	0.94%, refer PDS for more details.				
Performance Fee:	Not charged in this fund				

Compliance

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

Contact Us

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