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Nikko Asset Management

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Nikko AM Balanced Strategy

Monthly Update 31 May 2025

Assets are held in the Nikko AM Wholesale NZ Balanced Fund. The Nikko AM Balanced Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM Balanced Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- May 2025 was a very strong month for global equities as the remarkable rally from the early April "Liberation day" sell-off continued almost unabated.
- Global equities were up over 5%, while bonds fell slightly as longer dated bond yields moved higher despite most central banks maintaining a dovish bias.
- The MSCI ACWI (NZD Hedged) was up 5.6% and is up over 12% on a rolling 1 year basis.
- Global bonds posted a slight fall over the month of May, the Bloomberg Global Agg Index (NZD Hedged) fell -0.4% for the month, as did the NZ Composite Bond Index.

Fund Highlights

- All of the 'growth asset classes' (equities and listed property) posted strong absolute returns over the month, with the Global Equity Fund (Hedged and Unhedged) significantly ahead of benchmark in relative terms.
- Both the global equity 'growth' style managers (WCM and NAM-Europe) within the multi-manager line-up outperformed.
- The outperformance of the global bond fund was driven by the duration (underweight Japanese bonds), swaps and cross sector strategies (predominantly securitised assets).

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. Alan joined Nikko in 2023.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale[1]	3.74%	-0.59%	10.10%	6.98%	5.95%	6.93%
Benchmark[2]	3.12%	-0.53%	8.93%	7.51%	6.11%	6.42%
Retail[3]	3.66%	-0.54%	9.02%	6.02%	5.10%	
KiwiSaver[3]	3.61%	-0.58%	8.79%	5.93%	5.06%	

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.

Overview

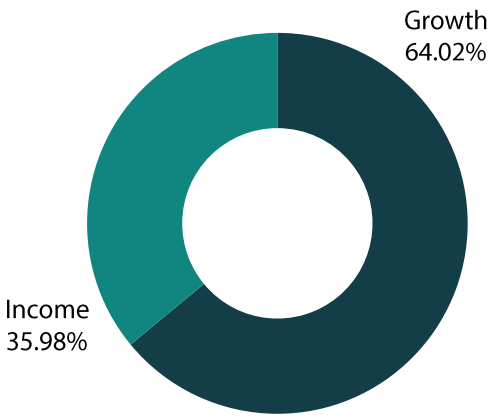
This fund has a diversified portfolio across income, growth and alternative assets which aims to generate a return while minimising potential losses.

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.

Five Year Cumulative Performance, $10,000 invested[1,2]

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	0.35%	0.30%	1.09%	0.94%	5.48%	4.81%	5.45%	4.84%	4.27%	5.00%
NZ Bond Fund	-0.48%	-0.38%	0.83%	0.88%	7.93%	7.12%	4.87%	3.72%	10.54%	11.00%
NZ Corporate Bond Fund	-0.25%	-0.18%	1.15%	1.11%	8.34%	7.90%	5.77%	5.38%	5.30%	5.50%
Global Bond Fund	-0.29%	-0.42%	-0.27%	0.00%	6.07%	5.48%	2.97%	2.16%	15.87%	16.50%
Core Equity Fund	4.01%	4.34%	-2.19%	-1.24%	3.68%	5.43%	4.47%	4.01%	8.47%	8.50%
Concentrated Equity Fund	3.63%	0.69%	-4.83%	2.10%	-0.21%	9.55%	3.76%	9.61%	8.37%	8.50%
Property Fund	6.55%	6.80%	0.72%	1.02%	4.67%	3.27%	-0.56%	-1.44%	6.05%	6.00%
Global Equity Unhedged Fund	6.84%	5.11%	-3.06%	-3.78%	18.72%	16.95%	19.92%	15.58%	20.19%	19.50%
Global Equity Hedged Fund	7.28%	5.56%	0.88%	0.46%	13.34%	12.05%	14.68%	10.75%	20.94%	19.50%

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

May 2025 was a very strong month for global equities as the remarkable rally from the early April "Liberation day" sell-off continued almost unabated. A number of regional equity markets traded near to or above record highs, many of which were established earlier in 2025 before the playing field for global trade was altered. Global equities were up over 5%, while bonds fell slightly as longer dated bond yields moved higher despite most central banks maintaining a dovish bias. The MSCI ACWI (NZD Hedged) was up 5.6% and is up over 12% on a rolling 1 year basis. The NZ Dollar moved slightly higher against most of the majors (up to just under U$0.6 versus the US Dollar), meaning the MSCI ACWI Index (NZD unhedged) was up 5.2% (+17% rolling 1-yr). Global bonds posted a slight fall over the month of May, the Bloomberg Global Agg Index (NZD Hedged) fell -0.4% for the month, as did the NZ Composite Bond Index.

A key driver of the equity market rally was the US and China announcing a reduction in tariff levels between the two countries, well below levels first outlined by President Trump on 2nd April. Similar de-escalations were announced with the EU. There was also internal legal pushback on the new tariffs, with the US Court of International Trade halting most of the newly announced tariffs - a decision that was immediately appealed. The Volatility Index ("VIX" or "fear index") had spiked to crisis levels in early April, but by the end of May it was back under 20, below the average level for the last 5 years. Global interest rates moved higher over May, particularly at the long end of the curve. Government bond auctions in Japan and US were weak, and the decision by rating agency Moody's to downgrade US debt to one notch below its top rating contributed to lower bond prices. US 10-year yields reached 4.61% intra-month (having started May at 4.16%) before ending at 4.41%.

Economic data took a back seat to announcements on tariff negotiations, and with the uncertain future on tariff levels, most backward looking 'hard data' prints were deemed less useful than in more normal times. US non-farm-payrolls were soft, but the unemployment rate remained steady at 4.2%. US ISM PMI's in manufacturing and services remained below 50. Inflation in the Euro area fell below 2% to support expectations for further cuts to short term interest rates in Europe.

Fund Commentary

Returns for Balanced Fund investors were strong in May, with fund performance now up high-single digits on a rolling 1 year basis.

All of the 'growth asset classes' (equities and listed property) posted strong absolute returns over the month, with the Global Equity Fund (Hedged and Unhedged) significantly ahead of benchmark in relative terms. Bond funds fell slightly, and were mostly in line with their respective benchmarks. Both the global equity 'growth' style managers (WCM and NAM-Europe) within the multi-manager line-up outperformed. WCM had a very strong month outperforming by more than 5% with top contributors in the technology space (AppLovin and Robinhood Markets) as well as within industrials (GE Aerospace and Siemens Energy). Across the two 'style-neutral' managers, JPM delivered a strong month outperforming by 2%, while Royal London lagged the benchmark slightly. Within the mega-cap names the multi-manager fund in aggregate is overweight Microsoft, Amazon and Taiwan Semiconductor and these all performed very strongly to more than offset the underweight to Tesla and Alphabet. The outperformance of the Global Bond Fund was driven by the duration (underweight Japanese bonds), swaps and cross sector strategies (predominantly securitised assets). The standout names within the local equity portfolios included Mainfreight who delivered a better-than-expected earnings report as well as the easing in global tariff tensions. NextDC also did well on the back of strong client demand and the announcement of a material new data centre contract.

Key Fund Facts

Estimated annual fund charges (incl. GST):		**Distributions:**	Generally does not distribute	**Strategy Launch:**	April 1994
Wholesale: **Retail:** **KiwiSaver:**	Negotiated outside of the unit price 0.94%, refer PDS for more details 1.14%, refer PDS for more details.	**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 24.5%.	**Strategy size:**	$123.7m
Performance Fee:	Not charged in this fund			**Buy / Sell spread:**	0.09% / 0.09%

Compliance

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

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