

# Nikko AM Conservative Strategy

Monthly Update 31 May 2025

Assets are held in the Nikko AM Wholesale NZ Conservative Fund. The Nikko AM Conservative Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM Conservative 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 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).

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
<b>Wholesale<sup>1</sup></b>	1.28%	0.28%	7.90%	5.36%	3.71%	
<b>Benchmark<sup>2</sup></b>	1.03%	0.21%	7.22%	4.86%	3.04%	
<b>Retail<sup>3</sup></b>	1.23%	0.25%	7.24%	4.62%	3.06%	
<b>KiwiSaver<sup>3</sup></b>	1.20%	0.18%	7.02%	4.55%	3.03%	

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. See overleaf. 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<sup>1,2</sup>



## 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.

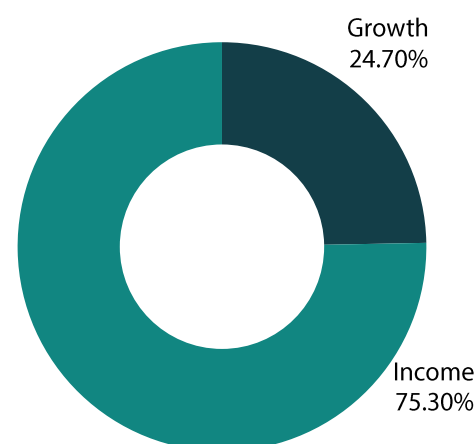
## Overview

This fund has a diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.

## Objective

The fund aims to outperform the benchmark return by 1.0% 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
<b>NZ Cash Fund</b>	0.35%	0.30%	1.09%	0.94%	5.48%	4.81%	5.45%	4.84%	13.64%	15.00%
<b>NZ Bond Fund</b>	-0.48%	-0.38%	0.83%	0.88%	7.93%	7.12%	4.87%	3.72%	19.81%	20.00%
<b>NZ Corporate Bond Fund</b>	-0.25%	-0.18%	1.15%	1.11%	8.34%	7.90%	5.77%	5.38%	10.94%	11.00%
<b>Global Bond Fund</b>	-0.29%	-0.42%	-0.27%	0.00%	6.07%	5.48%	2.97%	2.16%	30.91%	31.00%
<b>Core Equity Fund</b>	4.01%	4.34%	-2.19%	-1.24%	3.68%	5.43%	4.47%	4.01%	3.04%	3.00%
<b>Concentrated Equity Fund</b>	3.63%	0.69%	-4.83%	2.10%	-0.21%	9.55%	3.76%	9.61%	3.01%	3.00%
<b>Property Fund</b>	6.55%	6.80%	0.72%	1.02%	4.67%	3.27%	-0.56%	-1.44%	2.96%	3.00%
<b>Global Equity Unhedged Fund</b>	6.84%	5.11%	-3.06%	-3.78%	18.72%	16.95%	19.92%	15.58%	7.61%	7.00%
<b>Global Equity Hedged Fund</b>	7.28%	5.56%	0.88%	0.46%	13.34%	12.05%	14.68%	10.75%	8.07%	7.00%

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

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 US\$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 2<sup>nd</sup> 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 Conservative Fund investors were strong in May, with fund performance now up over 7% 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

<b>Estimated annual fund charges (incl. GST):</b>		<b>Distributions:</b>	Generally does not distribute	<b>Strategy Launch:</b>	August 2016
<b>Wholesale:</b>	Negotiated outside of the unit price	<b>Hedging:</b>	Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund's foreign currency exposure is 9.2%.	<b>Strategy size:</b>	\$16.5m
<b>Retail:</b>	0.70%, refer PDS for more details				
<b>KiwiSaver:</b>	0.90%, refer PDS for more details.			<b>Buy / Sell spread:</b>	0.04% / 0.04%
<b>Performance Fee:</b>	Not charged in this fund				

## Compliance

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

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).