

Nikko AM NZ Investment Scheme

# NIKKO AM NZ BOND FUND

## Fund Update



### What is the purpose of this update?

This document tells you how the Nikko AM NZ Bond Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Nikko AM NZ prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

### Description of this fund

The Fund aims to outperform the Bloomberg NZ Bond Bank Bill Index by 1.00% p.a. over a rolling three year period before fees, expenses and taxes. The Fund provides investors with regular income by constructing an actively managed investment portfolio of New Zealand bonds, deposits and cash while protecting the capital value of investors' funds.

|                           |                 |
|---------------------------|-----------------|
| Total value of the fund   | \$62,374,832    |
| The date the fund started | 13 January 2011 |

### What are the risks of investing?

#### Risk indicator for Nikko AM NZ Bond Fund:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five year period to March 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

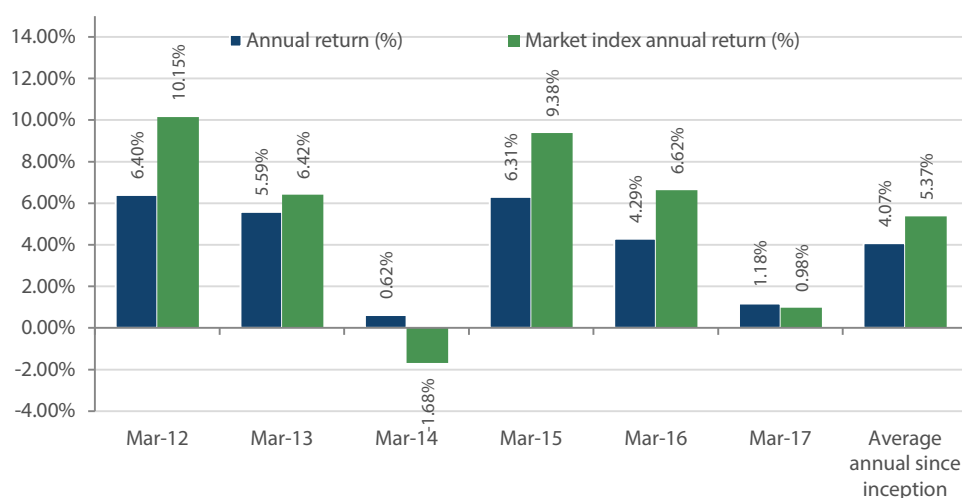
## How has the fund performed?

|  | Average over past 5 years | Past year |
|--|---------------------------|-----------|
| Annual return<br><i>(after deductions for charges and tax)</i>                   | 3.57%                     | 1.18%     |
| Annual return<br><i>(after deductions for charges but before tax)</i>            | 4.97%                     | 1.63%     |
| Market index annual return<br><i>(reflects no deduction for charges and tax)</i> | 4.26%                     | 0.98%     |

The market index on which the annual return is based is the Bloomberg NZBond Government 0+ Year Index. The Nikko AM NZ Bond Fund aims to outperform the market index by 1.00% p.a. over a rolling three year period before fees, expenses and taxes.

Additional information about the market index is available on the offer register.

## Annual return graph<sup>1</sup>



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to March 2017.

**Important:** This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

## What fees are investors charged?

Investors in the Nikko AM NZ Bond Fund are charged fund charges. In the year to 31 March 2017, these were:

|  | % of net asset value |
|--|----------------------|
| <b>Total fund charges</b>                          | <b>0.80%</b>         |
| Which are made up of:                              |                      |
| <b>Total management and administration charges</b> | <b>0.80%</b>         |
| Including:   |                      |
| Manager's basic fee                                | 0.61%                |
| Other management and administration charges        | 0.19%                |
| <b>Total performance-based fees</b>                | <b>0.00%</b>         |

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the Nikko AM NZ Bond Fund PDS for more information about those fees.

## Example of how this applies to an investor

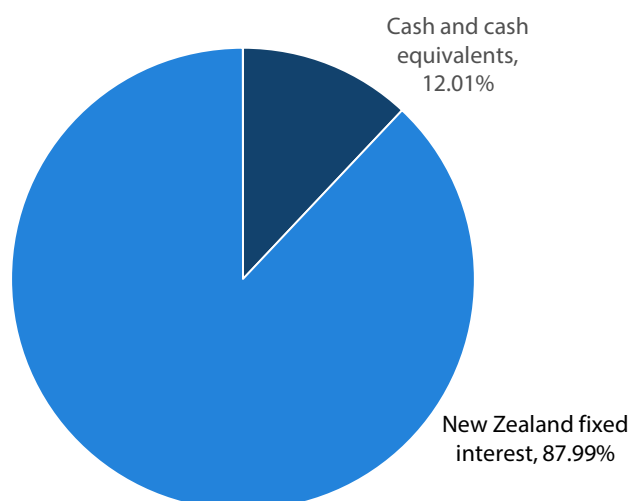
Small differences in fees and charges can have a big impact on your investment over the long term. For the purpose of this example, the start of the year is 1 April 2016.

Hayley had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Hayley received a return after fund charges were deducted of \$163 (that is 1.63% of her initial \$10,000). Hayley paid no other charges. This gives Hayley a total return after tax of \$118 for the year.

## What does the fund invest in?

This shows the types of assets that the fund invests in.

### Actual investment mix



### Target investment mix

|   |      |
|---|------|
| New Zealand fixed interest and cash and cash equivalents <sup>2</sup> | 100% |
|---|------|

### Top 10 investments

| Name  | Percentage of fund's net asset value | Type                       | Country     | Credit rating (if debt securities) |
|---|--------------------------------------|----------------------------|-------------|------------------------------------|
| 1 New Zealand Local Government Funding Agency 150423 5.50 | 7.76%                                | New Zealand fixed interest | New Zealand | AA+                                |
| 2 New Zealand Government 150427 4.50                      | 7.37%                                | New Zealand fixed interest | New Zealand | AA+                                |
| 3 Bank of New Zealand 030223 4.261                        | 6.72%                                | New Zealand fixed interest | New Zealand | AAA                                |
| 4 New Zealand Government 150423 5.5                       | 5.90%                                | New Zealand fixed interest | New Zealand | AA+                                |
| 5 New Zealand Government 150521 6.0                       | 5.82%                                | New Zealand fixed interest | New Zealand | AA+                                |
| 6 Westpac New Zealand Ltd 280421 3.795                    | 3.95%                                | New Zealand fixed interest | New Zealand | AA-                                |
| 7 Fonterra Cooperative Group Ltd 250222 5.90              | 3.59%                                | New Zealand fixed interest | New Zealand | A-                                 |
| 8 New Zealand Government 151217 6.0                       | 3.42%                                | Cash and cash equivalents  | New Zealand | AA+                                |
| 9 TCNZ Finance Ltd 251019 5.25                            | 3.35%                                | New Zealand fixed interest | New Zealand | A-                                 |
| 10 Rabo FRN 081017  | 2.90%                                | Cash and cash equivalents  | New Zealand | BBB-                               |

The total value of the top 10 investments make up 50.78% of the net asset value of the fund.

## Key personnel

|   | Name            | Current position           | Time in current position | Previous or other current position   | Time in previous or other current position |
|---|-----------------|----------------------------|--------------------------|--|--|
| 1 | Fergus McDonald | Head of Bonds and Currency | 16 years and 9 months    | NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited | 10 years and 5 months                      |
| 2 | Ian Bellew      | Fixed Income Manager       | 5 years and 3 months     | Cash Portfolio Manager - Nikko Asset Management New Zealand Limited              | 4 years and 10 months                      |
| 3 | Tim O'Loan      | Fixed Income Analyst       | 5 years and 2 months     | Operations Analyst – NZ Super Fund   | 3 years                                    |
| 4 | George Carter   | Managing Director          | 1 years and 5 months     | Director, Head of Distribution, AMP Capital Investors NZ Limited                 | 6 years and 4 months                       |

## Further information

You can also obtain this information, the PDS for the Nikko AM NZ Bond Fund, and some additional information from the offer register at <https://www.companiesoffice.govt.nz/disclose>.

## Notes

<sup>1</sup> The bar chart shows fund returns after the deduction of fees and taxes, however, the market index returns are shown before any fees or taxes are deducted.

<sup>2</sup> All investments described in this fund update are in New Zealand dollars.