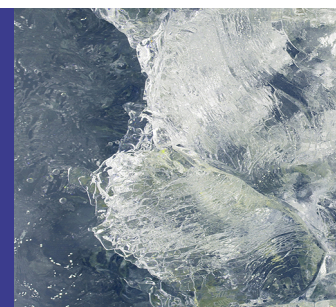


Nikko AM NZ Investment Scheme

NIKKO AM CONSERVATIVE FUND

Fund Update



What is the purpose of this update?

This document tells you how the Nikko AM Conservative 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.

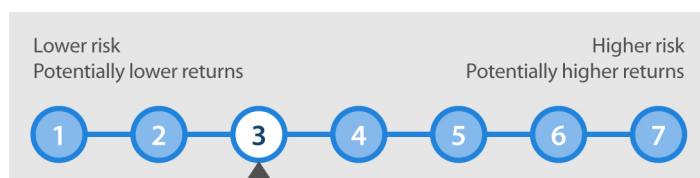
Description of this fund

The Fund aims to achieve a return which exceeds the benchmark return by 1.00% p.a. over a rolling three year period before fees, expenses and taxes. The Nikko AM Conservative Fund invests across a range of actively managed funds to create a diversified portfolio with a focus on lower risk assets.

| | |
|---------------------------|--------------|
| Total value of the fund | \$2,700,204 |
| The date the fund started | 3 April 2018 |

What are the risks of investing?

Risk indicator for Nikko AM Conservative 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.

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 December 2018¹. 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?

| | Past year |
|---|----------------|
| Annual return <i>(after deductions for charges and tax)</i> | Not applicable |
| Annual return <i>(after deductions for charges but before tax)</i> | Not applicable |
| Composite of market index annual return and peer group indices annual return <i>(reflects some deductions for charges² and no deductions for tax)</i> | 2.15% |

Nikko AM is relying on the Financial Markets Conduct (Market Index) Exemption Notice 2018 and have created a composite index in order to calculate the market index annual return. The Manager believes the use of a composite benchmark for these funds would be useful to investors in assessing the performance of the fund as a whole. The composite market index for each fund is made up of the index of the underlying sector funds (where an Appropriate Market Index or Peer Group Index is available) multiplied by the respective target investment mix.

Additional information is available on the officer register at www.companiesoffice.govt.nz/disclose.

What fees are investors charged?

Investors in the Nikko AM Conservative Fund are charged fund charges. Based on the PDS, dated 31 May 2018, these were expected to be (inclusive of GST where applicable):

| | % of net asset value |
|--|----------------------|
| Total fund charges | 0.81% |
| Which are made up of: | |
| Total management and administration charges | 0.66% |
| Including: | |
| Manager’s basic fee | 0.41% |
| Other management and administration charges | 0.36% |
| Total performance-based fees | 0.04% |

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 Investment Scheme PDS for more information about those fees.

Example of how this applies to an investor

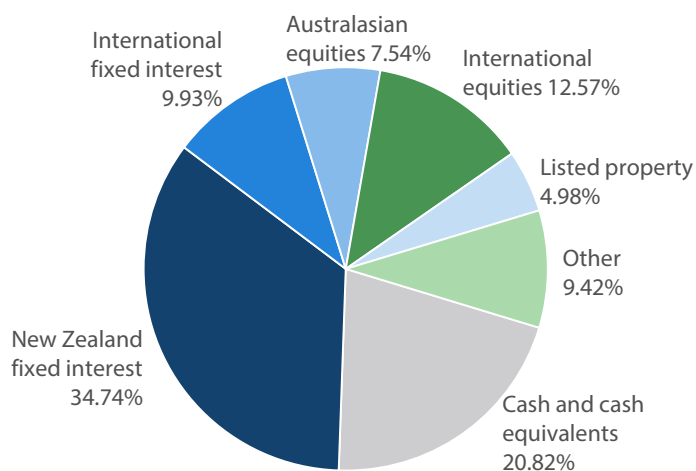
Small differences in fees and charges can have a big impact on your investment over the long term. For the purpose of this example, performance has been calculated from 23 April 2018 when the first investment was made into the fund.

Hayley made the first investment of \$10,000 into the fund and did not make any further contributions. As at 31 December 2018, Hayley received a return after fund charges were deducted of \$147 (that is 1.47% of her initial \$10,000). Hayley paid no other charges. This gives Hayley a total return after tax of \$90 for the period ending 31 December 2018.

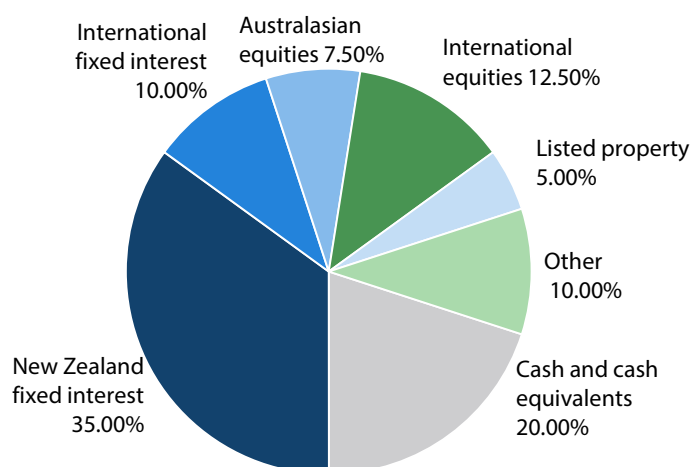
What does the fund invest in?

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

Actual investment mix³



Target investment mix⁴



Top 10 investments

| Name | Percentage of fund's net asset value | Type | Country | Credit rating (if debt securities) |
|--|--------------------------------------|--|---------|------------------------------------|
| 1 JPM Multi Manager Alternatives | 4.49% | Other – interest in a diversified fund | LU | n/a |
| 2 Westpac NZD Call Cash Account | 2.79% | Cash and cash equivalents | NZ | AA- |
| 3 New Zealand Tax Trading Co 150119 | 1.34% | Cash and cash equivalents | NZ | AA+ |
| 4 Bank Of New Zealand 030223 4.261 | 1.32% | New Zealand fixed interest | NZ | AAA |
| 5 Kiwibank Limited 221121 FFRN | 1.25% | New Zealand fixed interest | NZ | AA |
| 6 New Zealand Government 150427 4.50 | 1.17% | New Zealand fixed interest | NZ | AA+ |
| 7 Kiwibank Ltd 290520 4.6475 | 1.07% | New Zealand fixed interest | NZ | A- |
| 8 Fonterra Co Op Group Ltd 190625 5.08 | 1.04% | New Zealand fixed interest | NZ | A- |
| 9 Kiwi Property Group Limited | 0.97% | Listed Property | NZ | n/a |
| 10 New Zealand Government 150521 6.0 | 0.97% | New Zealand fixed interest | NZ | AA+ |

The total value of the top 10 investments makes up 16.41% 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 | George Carter | Managing Director and Member of Investment Committee | 3 years and 2 months | Director, Head of Distribution, AMP Capital Investors NZ Limited | 6 years and 4 months |
| 2 | Fergus McDonald | Head of Bonds and Currency and Member of Investment Committee | 18 years and 6 months | NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited | 10 years and 5 months |
| 3 | Stuart Williams | Head of Equities and Member of Investment Committee | 4 years and 5 months | Portfolio Manager – OnePath (NZ) Limited | 1 year and 7 months |
| 4 | James Wesley | Head of Distribution and Member of Investment Committee | 5 years and 1 month | Head of Australia, Wholesale – Threadneedle Investments | 3 years |
| 5 | James Rogers | Head of Product and Operations and Member of Investment Committee | 1 year and 9 months | Senior Project Manager – Nikko Asset Management New Zealand Limited | 5 months |

Further information

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

Notes

¹ Because the fund is less than five years old, the risk indicator uses returns data partly from returns of the fund, and partly (for the period January 2014 to March 2018) from the composite index. As a result of this, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.

² The appropriate market index for the JPMorgan Alternative Asset Management Multi-Manager Alternative Fund is net of charges and before the deductions of tax. All other indices are before deductions for charges and tax.

³ "Other" refers to the JPMorgan Alternative Asset Management Multi-Manager Alternative fund and the Nikko AM Wholesale Option Fund.

⁴ All investments in this fund update are described in New Zealand dollars.