

Nikko AM NZ Investment Scheme

# NIKKO AM INCOME FUND

## Fund Update



### What is the purpose of this update?

This document tells you how the Nikko AM Income 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 Nikko AM Income Fund aims to provide investors with regular income from an actively managed investment portfolio while protecting the capital value by constructing a portfolio of permitted investments, that in aggregate target a return of 6.5% p.a. over a rolling three year period before fees, expenses and taxes. The Nikko AM Income Fund invests in the Nikko AM Wholesale NZ Corporate Bond Fund and the Nikko AM Wholesale Option Fund.

Total value of the fund	\$12,990,241
The date the fund started	16 October 2007

### What are the risks of investing?

#### Risk indicator for Nikko AM Income 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 September 2018. 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.

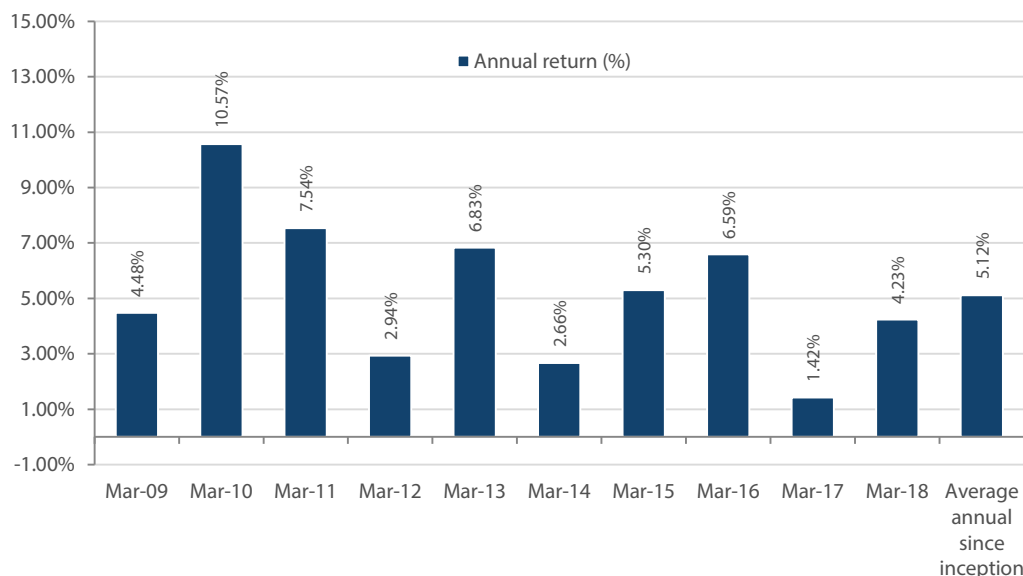
## How has the fund performed?

	Average over past 5 years	Past year
Annual return <i>(after deductions for charges and tax)</i>	4.47%	4.24%
Annual return <i>(after deductions for charges but before tax)</i>	6.25%	5.91%

The Manager is relying on the Financial Markets Conduct (Market Index) Exemption Notice 2018. This is because up to 40% of the assets in the Nikko AM Income Fund is invested in the Nikko AM Wholesale Option Fund. The Manager has decided, in reliance on the exemption, that there is no appropriate market index or suitable peer group index for the Nikko AM Wholesale Option Fund. The Manager has determined that applying the appropriate market index for the remaining assets of the fund would not accurately reflect the potential movements in the market in relation to the overall returns of the Nikko AM Income Fund, and so is relying on the exemption for the overall Nikko AM Income Fund.

Additional information is available on the offer register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

## 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 September 2018.

**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.

From 1 April 2008 to 30 September 2010 the returns are after tax at 30% and from 1 October 2010 onwards the returns are after tax at 28%.

## What fees are investors charged?

Investors in the Nikko AM Income Fund are charged fund charges. In the year to 31 March 2018, these were (inclusive of GST where applicable):

	% of net asset value
<b>Total fund charges</b>	<b>1.07%</b>
Which are made up of:	
<b>Total management and administration charges</b>	<b>1.07%</b>
Including:	
Manager's basic fee	0.81%
Other management and administration charges	0.26%
<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 Cash and Fixed Interest Funds PDS for more information about those fees.

## Example of how this applies to an investor

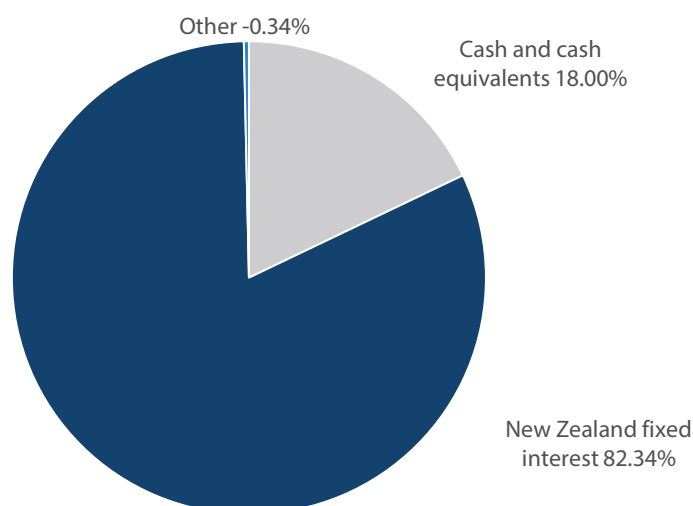
Small differences in fees and charges can have a big impact on your investment over the long term. For the purpose of this example, the start of the year is 1 April 2017.

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 \$592 (that is 5.92% of her initial \$10,000). Hayley paid no other charges. This gives Hayley a total return after tax of \$423 for the year.

## What does the fund invest in?

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

### Actual investment mix<sup>2</sup>



### Target investment mix<sup>3</sup>

New Zealand and international fixed interest, cash and cash equivalents and other	100%
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## Top 10 investments

Name	Percentage of fund's net asset value	Type	Country	Credit rating (if debt securities)
1 Kiwibank Ltd 290520 4.6475	4.69%	New Zealand fixed interest	NZ	AA+
2 ASB Bank Ltd 270220 FRN	4.19%	New Zealand fixed interest	NZ	AA-
3 ANZ Bank New Zealand Ltd 110520 4.48	3.22%	New Zealand fixed interest	NZ	AA-
4 Bank Of New Zealand 180620 4.426	3.04%	New Zealand fixed interest	NZ	AA-
5 Kiwibank 061219 FRN	3.03%	New Zealand fixed interest	NZ	A+
6 Bank Of New Zealand 150623 4.102	2.96%	New Zealand fixed interest	NZ	AA-
7 Fonterra Co Operative Group Ltd 190625 5.08	2.56%	New Zealand fixed interest	NZ	A-
8 Insurance Australia Group Ltd 150643 5.15	2.52%	New Zealand fixed interest	NZ	BBB
9 Goldman Sachs Collateral Account	2.49%	Cash and cash equivalents	UK	NR
10 Rabobank Nederland NZ Branch 100620 4.592	2.18%	New Zealand fixed interest	NZ	A+

The total value of the top 10 investments makes up 30.88% 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	18 years and 3 months	NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited	10 years and 5 months
2 Ian Bellew	Fixed Income Manager	6 years and 9 months	Cash Portfolio Manager - Nikko Asset Management New Zealand Limited	4 years and 10 months
3 George Carter	Managing Director	2 years and 11 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 Cash and Fixed Interest Funds, 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

<sup>2</sup> "Other" includes the current value of outstanding option contracts in the Nikko AM Option Fund. For an explanation of the option component of the assets of the fund, please see the PDS and SIPO.

<sup>3</sup> All investments in this fund update are described in New Zealand dollars.