

Nikko AM NZ Investment Scheme

# NIKKO AM OPTION FUND

## Fund Update



### What is the purpose of this update?

This document tells you how the Nikko AM Option 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 NZBond Bank Bill Index plus 4% p.a. over a rolling three year period before fees, expenses and taxes. The Fund invests in the Nikko AM Wholesale Option Fund that invests in cash and fixed interest investments, and undertakes a leveraged trading strategy based on selling options on global government bonds. The Nikko AM Wholesale Option Fund earns income from selling options, The Fund is a specialist investment strategy and is suitable only for experienced investors who have an investment time frame of three years or longer and are comfortable to accept short sharp periods of high volatility.

Total value of the fund	\$58,993
The date the fund started	3 April 2018

### What are the risks of investing?

#### Risk indicator for Nikko AM Option 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<sup>1</sup>. 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

Nikko AM NZ is relying on the Financial Markets Conduct (Market Index) Exemption Notice 2018. There is no appropriate market index or suitable peer group index that reflects the assets that the Nikko AM Option Fund invests in that would be helpful to investors for assessing movements in the market in relation to the returns of the Nikko AM Option Fund.

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

## What fees are investors charged?

Investors in the Nikko AM Option 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
<b>Total fund charges</b>	<b>1.21%</b>
Which are made up of:	
<b>Total management and administration charges</b>	<b>1.21%</b>
Including:	
Manager's basic fee	0.96%
Other management and administration charges	0.25%
<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 Option Fund PDS for more information about those fees.

## Example of how this applies to an investor

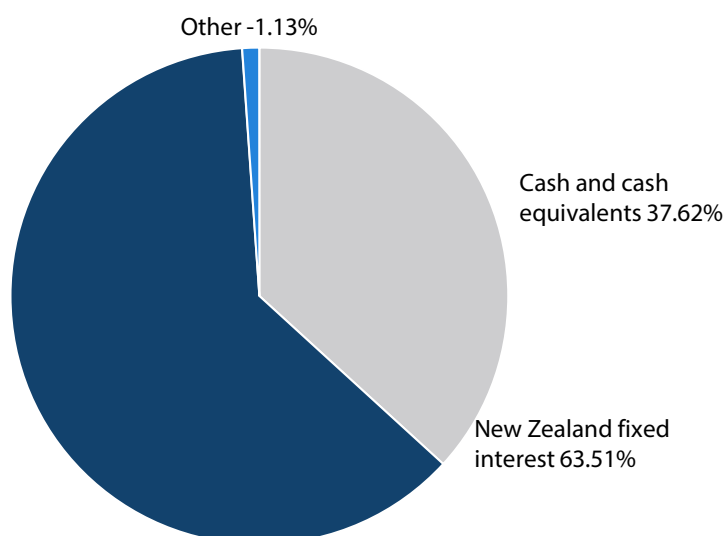
Small differences in fees and charges can have a big impact on your investment over the long term. For the purpose of this example, performance has been calculated from 23 April 2018 when the first investment was made into the fund.

Hayley made the first investment of \$10,000 into the fund and did not make any further contributions. As at 30 September 2018, Hayley received a return after fund charges were deducted of \$436 (that is 4.36% of her initial \$10,000). Hayley paid no other charges. This gives Hayley a total return after tax of \$299 for the period ending 30 September 2018.

## 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>

Cash and cash equivalents, New Zealand fixed interest, International fixed interest 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 ASB Bank Ltd 270220 FRN	13.91%	New Zealand fixed interest	NZ	AA-
2 ANZ Bank New Zealand Ltd 110520 4.48	10.68%	New Zealand fixed interest	NZ	AA-
3 Kiwibank Ltd 290520 4.6475	10.55%	New Zealand fixed interest	NZ	AA+
4 Kiwibank 061219 FRN	10.04%	New Zealand fixed interest	NZ	A+
5 Goldman Sachs Collateral Account	8.26%	Cash and cash equivalents	UK	NR
6 Bank Of New Zealand 180620 4.426	7.99%	New Zealand fixed interest	NZ	AA-
7 Rabobank Nederland NZ Branch 100620 4.592	5.63%	New Zealand fixed interest	NZ	A+
8 Westpac 27619 3.17 Term Deposit	5.14%	Cash and cash equivalents	NZ	AA-
9 Barclays Collateral Account	4.77%	Cash and cash equivalents	UK	NR
10 Westpac New Zealand Ltd 120719 5.61	4.05%	Cash and cash equivalents	NZ	AA-

The total value of the top 10 investments makes up 81.02% 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 Option Fund and some additional information from the offer register at <https://www.companiesoffice.govt.nz/disclose>.

## Notes

<sup>1</sup> Because the fund is less than five years old, the risk indicator uses returns data partly from returns of the fund, and partly (from October 2013 to March 2018) from the Nikko AM Wholesale Option Fund. As a result of this, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund.

<sup>2</sup> "Other" includes the current value of outstanding option contracts. 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