

Nikko AM NZ Investment Scheme

# NIKKO AM NZ BOND FUND

## Fund Update



### What is the purpose of this update?

This is a replacement fund update, replacing the previous fund update for the quarter ending 31 March 2019, first made publically available on 26 April 2019. We identified that in that fund update, the market index return, average over the past 5 years and the average annual since inception market index returns in the Annual return graph were incorrect. This has now been corrected in this fund update and has resulted in changes to the following sections: "How has this fund performed?" and "Annual return graph".

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 Composite 0+ Year Index by 0.60% p.a. over a rolling three year period before fees, expenses and taxes. The fund aims to provide investors with regular income by constructing an actively managed investment portfolio of New Zealand bonds, deposits and cash whilst preserving capital value.

Total value of the fund	\$60,426,975
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 <https://disclose-register.companiesoffice.govt.nz/>.

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 2019. 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.

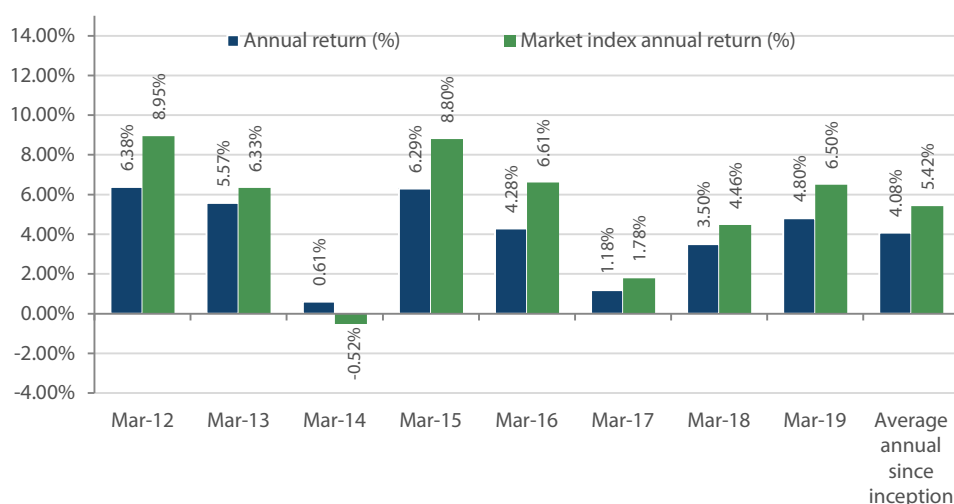
## How has the fund performed?

	Average over past 5 years	Past year
Annual return <i>(after deductions for charges and tax)</i>	4.00%	4.80%
Annual return <i>(after deductions for charges but before tax)</i>	5.59%	6.74%
Market index annual return <i>(reflects no deduction for charges and tax)</i>	5.60%	6.50%

The market index on which the annual return is based is the Bloomberg NZBond Composite 0+ Year Index. The market index for this fund has changed since the last fund update from the Bloomberg NZBond Govt 0+ Yr Index. The change was made to better reflect the underlying assets held in the fund.

Additional information about the market index is available on the offer register at <https://disclose-register.companiesoffice.govt.nz/>.

## 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 31 March 2019.  
**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 2019, these were (inclusive of GST where applicable):

	% of net asset value
<b>Total fund charges</b>	<b>0.74%</b>
Which are made up of:	
<b>Total management and administration charges</b>	<b>0.74%</b>
Including:	
Manager's basic fee	0.61%
Other management and administration charges*	0.13%
<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 Cash and Fixed Interest Funds PDS for more information about those fees.

### Example of how this applies to an investor

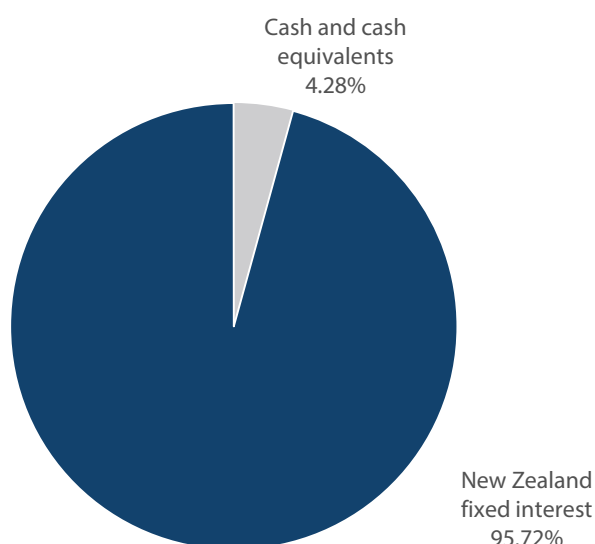
Small differences in fees and charges can have a big impact on your investment over the long term. For the purpose of this example, the start of the year is 1 April 2018.

Simon 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, Simon received a return after fund charges were deducted of \$674 (that is 6.74% of his initial \$10,000). Simon paid no other charges. This gives Simon a total return after tax of \$480 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<sup>2</sup>

New Zealand fixed interest	100%
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### Top 10 investments

Name	Percentage of fund's net asset value	Type	Country	Credit rating (if debt securities)
1 NZ Local Government Funding Agency 140433 3.50	7.58%	New Zealand fixed interest	NZ	AA+
2 Bank of New Zealand 030223 4.261	7.27%	New Zealand fixed interest	NZ	AAA
3 New Zealand Government 150427 4.50	6.68%	New Zealand fixed interest	NZ	AA+
4 New Zealand Government 150521 6.0	5.35%	New Zealand fixed interest	NZ	AA+
5 New Zealand Government 150420 3.00	3.89%	New Zealand fixed interest	NZ	AA+
6 New Zealand Government 200925 2.0 Indexed Bond	3.38%	New Zealand fixed interest	NZ	AA+
7 New Zealand Government 150423 5.5	2.60%	New Zealand fixed interest	NZ	AA+
8 Landeskreditbank Baden Wuerttemberg 150427 4.00	2.49%	New Zealand fixed interest	NZ	AAA
9 Fonterra Co Operative Group Ltd 190625 5.08	2.44%	New Zealand fixed interest	NZ	A-
10 Spark Finance Ltd 250322 4.50	2.32%	New Zealand fixed interest	NZ	A-

The total value of the top 10 investments makes up 44.00% 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 9 months	NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited	10 years and 5 months
2	Ian Bellew	Fixed Income Manager	7 years and 3 months	Cash Portfolio Manager - Nikko Asset Management New Zealand Limited	4 years and 10 months
3	Matthew Johnson	Fixed Income Manager	0 years and 6 months	Senior Strategy Analyst – The Comfort Group	2 years and 6 months
4	George Carter	Managing Director	3 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 Cash and Fixed Interest Funds, and some additional information from the offer register at <https://disclose-register.companiesoffice.govt.nz/>.

## 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 are in this fund update are described in New Zealand dollars.