

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, outperforms the RBNZ Official Cash Rate by 2.5% 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	\$3,421,613
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 June 2020. 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.

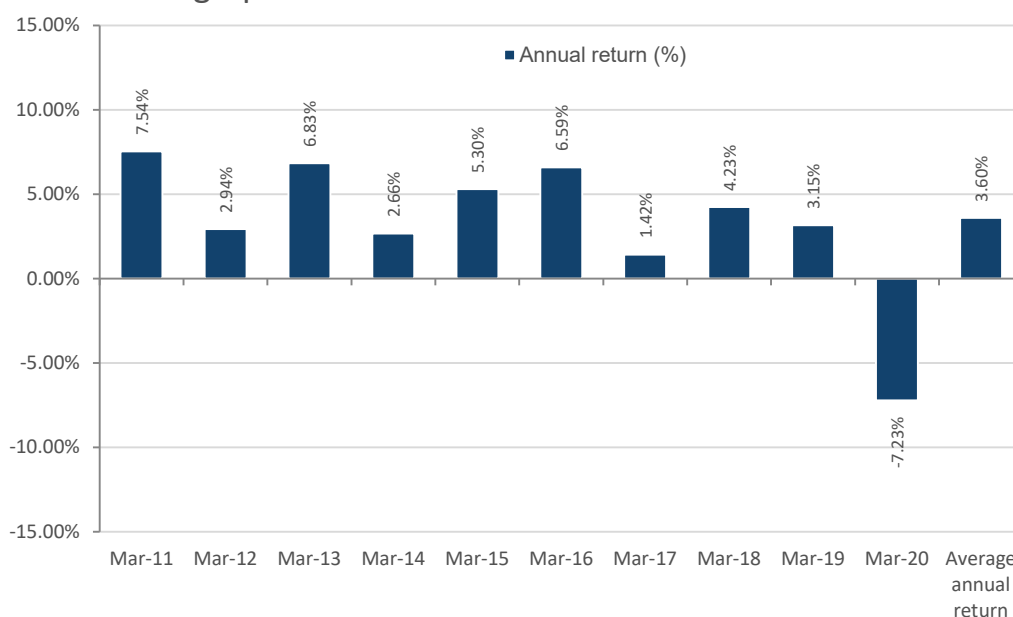
## How has the fund performed?

	Average over past 5 years	Past year
Annual return <i>(after deductions for charges and tax)</i>	1.98%	-4.10%
Annual return <i>(after deductions for charges but before tax)</i>	2.74%	-5.67%

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 are 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 <https://disclose-register.companiesoffice.govt.nz/>.

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



This shows the return after fund charges and tax for each of the last 10 years ending 31 March. The last bar shows the average annual return for the last 10 years, up to 30 June 2020.

**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 2020, these were (inclusive of GST where applicable):

	% of net asset value
<b>Total fund charges<sup>1</sup></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 Income Fund PDS for more information about those fees.

<sup>1</sup> The annual fund charges as per the most recent PDS dated 3 July, are 0.81%.

## Example of how this applies to an investor

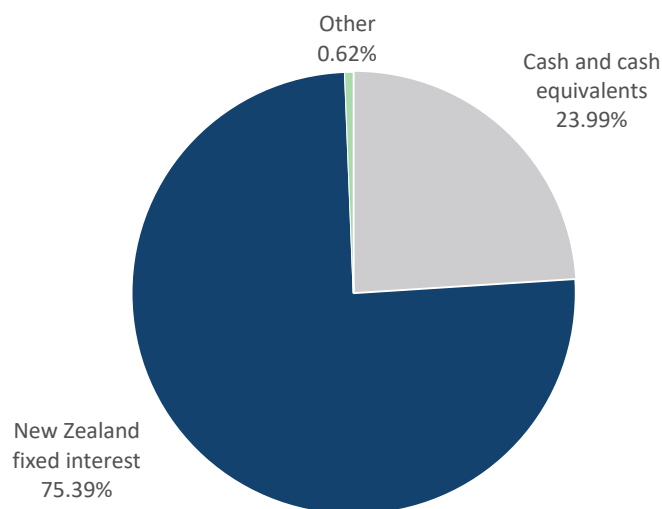
Small differences in fees and charges can have a big impact on your investment over the long term.

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 incurred a loss after fund charges were deducted of \$567 (that is -5.67% of his initial \$10,000). Simon paid no other charges. This gives Simon a total loss after tax of \$410 for the year.<sup>2</sup>

## What does the fund invest in?

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

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



### Target investment mix<sup>4</sup>

New Zealand and international fixed interest, cash and cash equivalents and other	100%
-----------------------------------------------------------------------------------	------

## Top 10 investments

Name	Percentage of fund's net asset value	Type	Country	Credit rating (if debt securities)
1 Westpac NZD Cash Account	6.79%	Cash and cash equivalents	NZ	AA-
2 Morgan Stanley Collateral Account	4.90%	Cash and cash equivalents	GB	NR
3 New Zealand LGFA 140433 3.50	4.70%	New Zealand fixed interest	NZ	AA+
4 Westpac USD Cash Account	4.33%	Cash and cash equivalents	NZ	AA-
5 Barclays Collateral Account	3.29%	Cash and cash equivalents	GB	NR
6 Kiwibank Limited 221121 FRN	3.20%	New Zealand fixed interest	NZ	A
7 ASB Bank Ltd 240222 4.20	2.94%	New Zealand fixed interest	NZ	AA-
8 Fonterra Co Operative Group Ltd 190625 5.08	2.31%	New Zealand fixed interest	NZ	A-
9 Westpac New Zealand Ltd 140222 FRN	2.15%	New Zealand fixed interest	NZ	AA-
10 ANZ Wellington 140121 2.31	2.15%	Cash and cash equivalents	NZ	AA-

The total value of the top 10 investments makes up 36.76% 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	20 years and 0 months	NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited	10 years and 5 months
2	Ian Bellew	Fixed Income Manager	8 years and 6 months	Cash Portfolio Manager - Nikko Asset Management New Zealand Limited	4 years and 10 months
3	Matthew Johnson	Fixed Income Manager	1 year and 9 months	Senior Strategy Analyst – The Comfort Group	2 years and 6 months
4	George Carter	Managing Director	4 years and 8 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://discloseregister.companiesoffice.govt.nz/>.

## Notes

<sup>1</sup> The bar chart shows fund returns after the deduction of fees and taxes.

<sup>2</sup> For the purpose of this example, the start of the year is 1 July 2019.

<sup>3</sup> “Other” includes the current value of outstanding option contracts in the Nikko AM Wholesale Option Fund. For an explanation of the option component of the assets of the fund, please see the PDS and SIPO.

<sup>4</sup> All investments in this fund update are described in New Zealand dollars.