

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	\$14,172
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.

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 2020¹. 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.

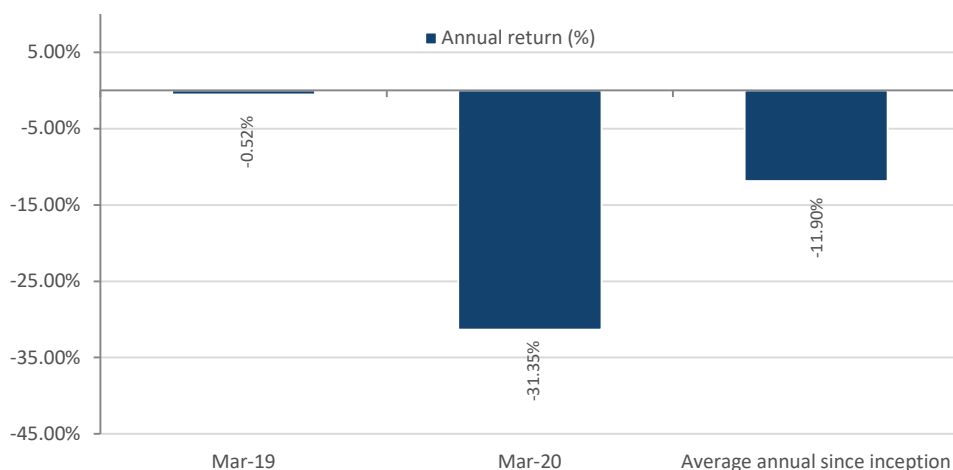
How has the fund performed?²

	Past year
Annual return <i>(after deductions for charges and tax)</i>	-21.03%
Annual return <i>(after deductions for charges but before tax)</i>	-28.60%

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 <https://discloseregister.companiesoffice.govt.nz/>.

Annual return graph^{2,3}



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 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.

What fees are investors charged?

Investors in the Nikko AM Option Fund are charged fund charges. In the year to 31 March 2020, these were (inclusive of GST where applicable):

	% of net asset value
Total fund charges	1.22%
Which are made up of:	
Total management and administration charges	1.22%
Including:	
Manager's basic fee	0.96%
Other management and administration charges	0.26%
Total performance-based fees	0.00%

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

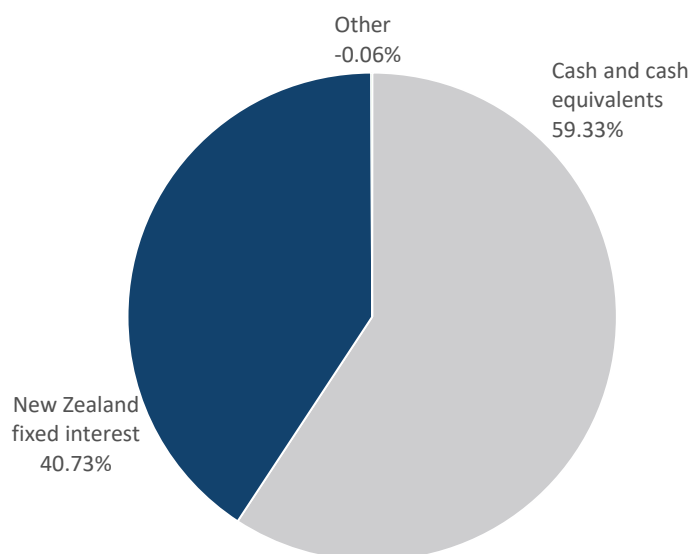
Small differences in fees and charges can have a big impact on your investment over the long term.

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 \$2860 (that is -28.6% of his initial \$10,000). Simon paid no other charges. This gives Simon a total loss after tax of \$2103 for the year.⁴

What does the fund invest in?

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

Actual investment mix⁵



Target investment mix⁶

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 Westpac USD Cash Account	15.91%	Cash and cash equivalents	NZ	AA-
2 Barclays Collateral Account	11.03%	Cash and cash equivalents	GB	NR
3 Kiwibank Limited 221121 FRN	8.99%	New Zealand fixed interest	NZ	A
4 Morgan Stanley Collateral Account	8.25%	Cash and cash equivalents	GB	NR
5 ASB Bank Ltd 240222 4.20	8.12%	New Zealand fixed interest	NZ	AA-
6 ASB Bank Ltd 221220 RCD	6.69%	Cash and cash equivalents	NZ	AA-
7 ANZ Bank Ltd 140121 2.31 TD	6.05%	Cash and cash equivalents	NZ	AA-
8 Westpac New Zealand Ltd 140222 FRN	6.04%	New Zealand fixed interest	NZ	AA-
9 Westpac NZD Cash Account	4.62%	Cash and cash equivalents	NZ	AA-
10 ANZ Bank Ltd 270821 1.21 TD	4.47%	Cash and cash equivalents	NZ	AA-

The total value of the top 10 investments makes up 80.17% of the net asset value of the fund.

Key personnel

	Name	Current position	Time in current position	Previous position	Time in previous or other current position
1	Fergus McDonald	Head of Bonds and Currency	20 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	8 years and 9 months	Cash Portfolio Manager - Nikko Asset Management New Zealand Limited	4 years and 10 months
3	Matthew Johnson	Fixed Income Manager	2 year and 0 months	Senior Strategy Analyst, The Comfort Group	2 years and 6 months
4	George Carter	Managing Director	4 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://disclose-register.companiesoffice.govt.nz/>.

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 (from October 2015 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.

² Performance has been calculated from 23 April 2018, when the first investment was made in the fund.

³ The bar chart shows fund returns after the deduction of fees and taxes.

⁴ For the purpose of this example, the start of the year is 1 October 2019.

⁵ "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.

⁶ All investments in this fund update are described in New Zealand dollars.