

Nikko AM NZ Investment Scheme

NIKKO AM BALANCED FUND

Fund Update



What is the purpose of this update?

This document tells you how the Nikko AM Balanced 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.

This is a replacement fund update which updates the market index returns for the fund.

Description of this fund

The Fund aims to achieve a return which exceeds the benchmark return by 1.50% p.a. over a rolling three year period before fees, expenses and taxes. The Nikko AM Balanced Fund invests across a range of actively managed funds to create a diversified portfolio with a balanced mix of lower and higher risk assets.

Total value of the fund	\$ 29,104,115
The date the fund started	3 April 2018

What are the risks of investing?

Risk indicator for the Nikko AM Balanced 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 June 2021¹. 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.

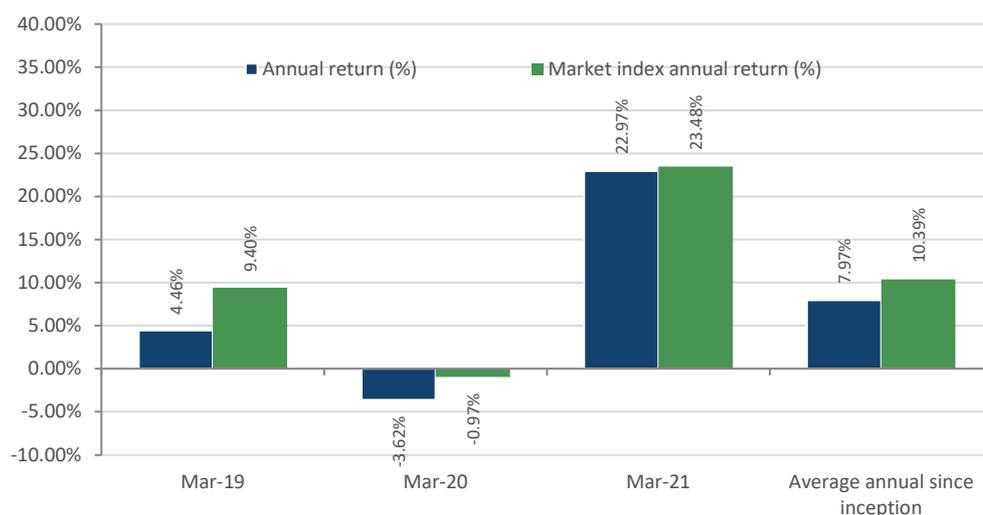
How has the fund performed?²

	Past year
Annual return <i>(after deductions for charges and tax)</i>	15.66%
Annual return <i>(after deductions for charges but before tax)</i>	16.73%
Composite of market index annual return and peer group indices annual return <i>(reflects some deduction for charges³ and no deductions for tax)</i>	15.24%

Nikko AM is relying on the Financial Markets Conduct (Market Index) Exemption Notice 2018 and have created a composite index in order to calculate the market index annual return. The Manager believes the use of a composite benchmark for these funds would be useful to investors in assessing the performance of the fund as a whole. The composite market index for each fund is made up of the index of the underlying sector funds (where an Appropriate Market Index or Peer Group Index is available) multiplied by the respective target investment mix. Some of the underlying sector fund index returns include imputation credits. The fund returns include imputation credits.

Additional information is available on the officer register at <https://disclose-register.companiesoffice.govt.nz/>.

Annual return graph^{2,4}



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 30 June 2021.

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 Balanced Fund are charged fund charges. In the year to 31 March 2021, these were (inclusive of GST where applicable):

	% of net asset value
Total fund charges	1.15%
Which are made up of:	
Total management and administration charges	1.15%
Including:	
Manager's basic fee	0.95%
Other management and administration charges	0.00%
Total performance-based fees	0.20%

In the current year ending 31 March 2022, it is expected that total fund charges will decrease. The Manager's basic fee was reduced from 0.95% to 0.70% on 1 April 2021.

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 Diversified Funds Product Disclosure Statement (PDS) for more information about fees.

The performance fee (if any) will vary from year to year. See the PDS for more information about the basis on which performance fees are charged.

Example of how this applies to an investor

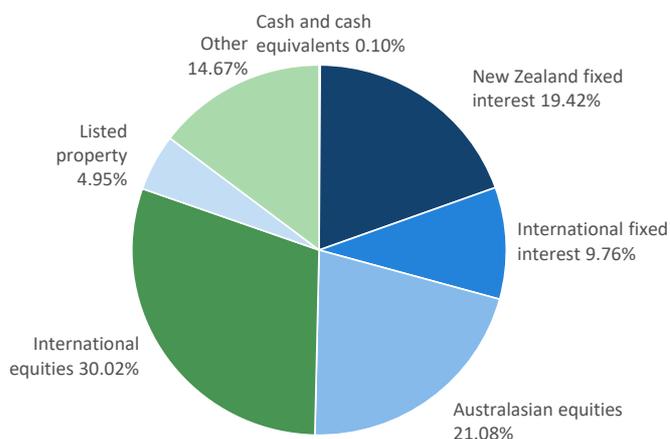
Small differences in fees and charges can have a big impact on your investment over the long term.

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 received a return after fund charges were deducted of \$1673 (that is 16.73% of his initial \$10,000). Simon paid no other charges. This gives Simon a total return after tax of \$1566 for the year.⁵

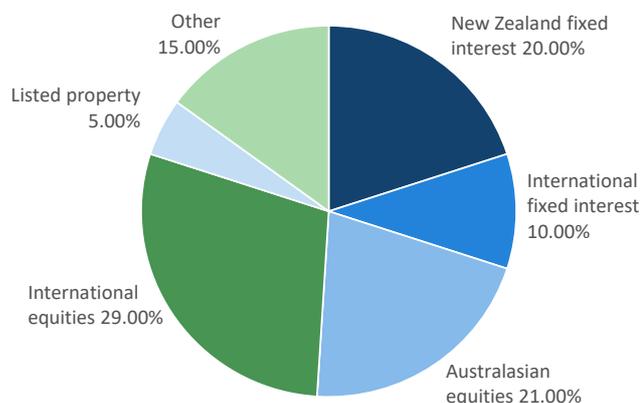
What does the fund invest in?

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

Actual investment mix⁶



Target investment mix⁷



Top 10 investments

Name	Percentage of fund's net asset value	Type	Country	Credit rating (if debt securities)
1 JPM Multi Manager Alternatives	9.73%	Other – Interest in a diversified fund	LU	N/A
2 Fisher & Paykel Healthcare	2.61%	Australasian equities	NZ	N/A
3 Westpac NZD Cash Account	1.93%	Cash and cash equivalents	NZ	AA-
4 Spark New Zealand Limited	1.92%	Australasian equities	NZ	N/A
5 Infratil Limited	1.61%	Australasian equities	NZ	N/A
6 Microsoft Corp	1.59%	International equities	US	N/A
7 Contact Energy Limited	1.45%	Australasian equities	NZ	N/A
8 Summerset Group	1.39%	Australasian equities	NZ	N/A
9 Amazon Com Inc	1.08%	International equities	US	N/A
10 EBOS Group Limited	0.92%	Australasian equities	NZ	N/A

The total value of the top 10 investments makes up 24.23% of the net asset value of the fund.

There is currency exposure on international assets in the fund as only a portion of this is hedged. Currently the fund's foreign currency exposure is 20.33%.

For more information on currency exposure please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on the Disclose register at <https://disclose-register.companiesoffice.govt.nz/>.

Key personnel

	Name	Current position	Time in current position	Previous or other current position	Time in previous or other current position
1	George Carter	Managing Director and Member of Investment Committee	5 years and 8 months	Director, Head of Distribution, AMP Capital Investors NZ Limited	6 years and 4 months
2	Fergus McDonald	Head of Bonds and Currency and Member of Investment Committee	21 years and 0 months	NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited	10 years and 5 months
3	Stuart Williams	Head of Equities and Member of Investment Committee	6 years and 11 months	Portfolio Manager – OnePath (NZ) Limited	1 year and 7 months
4	James Wesley	Head of Distribution and Member of Investment Committee	7 years and 7 months	Head of Australia, Wholesale – Threadneedle Investments	3 years and 0 months
5	James Rogers	Chief Operating Officer and Member of Investment Committee	4 years and 3 months	Senior Project Manager – Nikko Asset Management New Zealand Limited	5 months and 0 months

Further information

You can also obtain this information, the PDS for the Nikko AM Diversified Funds, 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 (for the period July 2016 to March 2018) from the composite index. 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 appropriate market index for the JPMorgan Alternative Asset Management Multi-Manager Alternative Fund is net of charges and before the deductions of tax. All other indices are before deductions for charges and tax.

⁴ 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.

⁵ For the purpose of this example, the start of the year is 1 July 2020.

⁶ "Other" refers to the JPMorgan Alternative Asset Management Multi-Manager Alternative fund and the Nikko AM Wholesale Option Fund.

⁷ All investments in this fund update are described in New Zealand dollars.