

Nikko AM Wholesale NZ Cash Fund

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM).

Nikko AM is Asia's premier global asset manager. In New Zealand we actively manage NZ\$4.8 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms.

We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Fund launch

1 October 2007. A similar portfolio has been operated by Nikko AM since January 1992.

Investment objective

Over a rolling three year period to target a return which exceeds the benchmark by 0.20% per annum, before fees.

Benchmark

S&P/NZX Bank Bills 90-Day Index

Investment philosophy

Nikko AM's focus on duration management and achieving a high running yield on the portfolio enables us to deliver an investment outcome that has a high probability of out-performing the benchmark.

Nikko AM's decision-making process revolves around interpreting and forecasting possible changes to monetary policy in the months ahead and quantifying the likely impact on portfolio performance.

The Fund invests directly into capital market securities. We seek to enhance the return from the cash sector by the selective use of floating rate notes and short dated corporate debt.

Investment guidelines

Authorised investments are cash, deposits and debt securities with an interest rate exposure of up to 365 days, issued or guaranteed by any NZ registered bank, SOE, NZ Government, NZ local authority and NZ and overseas corporate.

Securities issued by corporates and registered banks must have minimum credit rating of A1 short-term and A long term (Standard and Poors). Derivative counter parties must have A or better credit rating and all derivative exposure shall be covered by cash or physical holdings.

For full details see investment mandate.

Structure and taxation

The Fund vehicle is a Unit Trust and Portfolio Investment Entity (PIE) which is priced daily. Unit holders elect their own Portfolio Investor Rate. Information is provided to the IRD and unit holders on an annual basis.

Distributions

Quarterly – last day of March, June, September and December

Hedging policy

All assets are NZD denominated

Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund.

All Fund statutory and operating costs will be met directly by the Manager.

Buy/sell spread

Nil

Trustee

Public Trust.

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

Selected investors only

Participation in the Fund is limited to persons or entities who are New Zealand resident, and:

- (a) whose principal business is the investment of money; or
- (b) who, in the ordinary course of and for the purposes of their business, habitually invest money;

and, consequently (or for other reasons) do not constitute "the public" for the purposes of the Securities Act 1978 (**Exempt Person**). Nikko AM will not therefore be required to produce a registered prospectus or an investment statement in relation to the proposed investment (such documents otherwise being required were this offer to be made to persons or entities that are not Exempt Persons), and such documents will not be produced accordingly. Investors in the Fund will be required to acknowledge their status as an Exempt Person as part of their subscription in the Fund. Investors in the Fund will also be required to undertake to Nikko AM that any transfers of interests in the Fund will only be to Exempt Persons.

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562) investment manager and promoter of the products included in this document. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not habitual investors, or their duly appointed agent, should consult a qualified and appropriately Authorised Financial Adviser and the current Investment Statement, Prospectus or Information Memorandum. Applications to invest will only be accepted if made on an application form attached to that current Investment Statement or Information Memorandum. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.

General Enquiries: NZenquiries@nikkoam.com | +64 9 307 6363

Nikko AM Wholesale NZ Cash Fund

Performance (NZD gross returns)

	Fund %	Benchmark %	Excess %
1 month	0.28	0.24	0.04
3 months	0.83	0.72	0.11
6 months	1.74	1.46	0.27
1 year	3.87	3.22	0.65
2 years (pa)	4.12	3.40	0.73
3 years (pa)	4.04	3.17	0.86
5 years (pa)	4.05	2.99	1.06
10 years (pa)	5.45	4.49	0.96

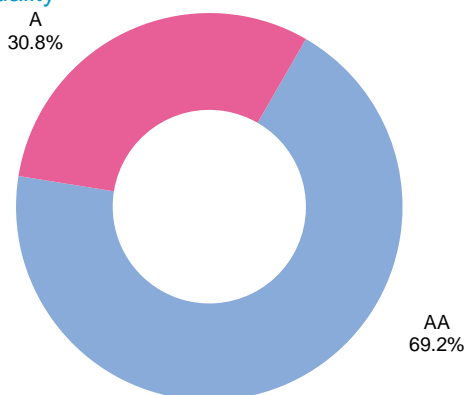
Fund size

\$667 million

Duration and yield

Duration	Fund 125 days	vs benchmark 45 days
Yield	Fund 3.35%	vs benchmark 2.31%

Credit quality



Exposures (% of fund)

Governments & SOE	10.7
NZ Registered Banks	80.1
Local Authorities	1.7
Corporates	7.5

Top 5 issuers (% of fund)

Bank of New Zealand	20.7
Kiwi Bank Ltd	13.6
ANZ Bank	10.9
Westpac Banking Corp	10.9
Bank of Tokyo-Mitsubishi	8.6

Number of issuers in portfolio **20**

Commentary

The Nikko AM Wholesale NZ Cash Fund performed well over March returning 0.28% which exceeded the benchmark index return of 0.24% and compares well to the Official Cash Rate of 2.25% per annum.

Short term rates continue to move lower with the 90-day Bank Bill Rate declining from 2.56% to 2.34% and the 1-year swap rate followed, falling from 2.43% to 2.20% by the end of March.

The RBNZ surprised markets by cutting the Official Cash Rate by 25 basis points to 2.25% at the March Monetary Policy Review (MPR) – the fifth easing this cycle. While further rate cuts had been widely expected, the RBNZ surprised the market with its timing, as Governor Wheeler had appeared to reduce easing expectations in his February speech. The move by the RBNZ, and projections of further easing, represented a renewed determination to get inflation higher. A temporary fall in the NZ dollar ensued, but this was soon washed out by global forces and the NZ TWI ended the month higher than pre-cut levels. The RBNZ also got less interest rate traction than it desired, with the average cut to the floating mortgage rates by the four major banks equating to just 12.5 basis points.

The RBNZ highlighted deteriorating global growth since their last policy statement in December 2015, especially weaker growth in China, emerging markets and slower growth in Europe. Domestically, the impact upon economic growth from the weaker dairy sector is being offset by strong inward migration, tourism, construction activity and accommodative monetary policy. This should ensure an acceptable level of growth occurs in the next few years, probably in the 2.5% to 3.0% range.

The RBNZ has indicated it is prepared to cut interest rates further if required and markets are anticipating a cash rate of around 1.75% by the end of 2016.

The Fund is well positioned for further falls in rates. The Fund's duration is longer than the 90-day Bank Bill Index and should be able to maintain a higher return than benchmark in the months ahead.

Compliance

The Fund complied with its investment mandate during the month