

Nikko Wholesale Balanced 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

October 2007 – a similar portfolio has been operated by Nikko AM since September 1992.

Investment objective

Over a rolling three year period, to achieve a return which exceeds the benchmark by 1.5% per annum, before fees.

Benchmark

Benchmark performance is calculated on a pro-rata basis against the relevant sector index

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. The Fund invests directly into PIEs for the New Zealand sectors and directly in appropriate vehicles for the global sectors. The Fair Dividend Rate approach applies to global equities, global property and alternative investments. Information is provided to the IRD and unit holders on an annual basis.

Buy/sell spread

0.1172% / 0.1172%

Hedging policy

| | |
|-----------------------|----------------------|
| Global equities | 50% hedged into NZD |
| Global fixed interest | 100% hedged into NZD |
| Multi-Strategy | NZD share class |

Hedging is based on the gross asset value of the relevant fund.

Trustee

Public Trust

Distributions

At any date for any period fixed by the Manager

Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund. Nikko AM, as manager of the Nikko AM NZ Funds, will directly meet all costs required for the operation of the Funds, including, but not limited to, trustee fees, custody and sub-custodial fees, and administration fees. There is no investment management fee charged to the Nikko AM Wholesale Balanced Fund by other Nikko AM NZ Funds forming the Nikko AM Wholesale Balanced Fund composite.

Performance fees (if any) are recognised in the unit price of the Balanced Fund for the following sector funds:

- Nikko AM Wholesale Concentrated Equity Fund – 10% of excess return over benchmark, accrued on a daily basis, payable annually, subject to recovery of any previous period negative returns before entitlement.
- Nikko AM Wholesale Option Fund – 15% of returns in excess return over benchmark, accrued on a daily basis, payable annually, subject to recovery of any previous period negative returns before entitlement.
- Nikko AM Wholesale Multi-Strategy Fund: 10% of returns above US 3-month T-Bill after all fees accrued on a monthly basis, payable annually, subject to recovery of any previous period negative returns before entitlement.

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.

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

Nikko Wholesale Balanced Fund

Performance (NZD gross returns)

| | Fund % | Benchmark % | Excess % |
|---------------------|--------------|-------------|-------------|
| 1 month | 0.65 | 0.63 | 0.03 |
| 3 months | 4.08 | 2.97 | 1.11 |
| 6 months | 4.34 | 2.97 | 1.36 |
| 1 year | 9.80 | 6.14 | 3.65 |
| 2 years (pa) | 12.59 | 9.57 | 3.02 |
| 3 years (pa) | 11.77 | 9.09 | 2.67 |
| 5 years (pa) | 10.39 | 8.72 | 1.67 |

Fund size

\$234 million

Compliance

The Fund complied with its investment mandate during the month

Asset allocation and benchmark

| Sector | Fund % | Benchmark % |
|--------------------------|--------|-------------|
| NZ Bond Fund | 4.9 | 5.0 |
| NZ Cash Fund | 4.9 | 5.0 |
| Corporate Bond Fund | 4.9 | 5.0 |
| Option Fund | 9.9 | 10.0 |
| Global Bond Fund | 12.9 | 13.0 |
| Core Equity Fund | 7.3 | 7.0 |
| Property Fund | 5.1 | 5.0 |
| Concentrated Equity Fund | 14.4 | 14.0 |
| Global Equity Funds | 26.1 | 26.0 |
| Multi-strategy Fund | 9.7 | 10.0 |

¹ Global Bond Fund 100% hedged

² Global equities 50% hedged prior to 31 Aug 08, 25% hedged from 1-Sep-08 to 31 March 2015, from 1 April 2015 50% hedged.

Currency exposure

NZ dollar exposure of Balanced Fund is 83.6%

Sector performance (NZD gross returns)

| | 1 month % | | 3 months % | | 1 year % | | 3 years % pa | | 5 years % pa | |
|----------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Fund | B'mark | Fund | B'mark | Fund | B'mark | Fund | B'mark | Fund | B'mark |
| NZ Bond Fund | 0.50 | 0.37 | 2.44 | 2.54 | 7.34 | 7.11 | 5.70 | 4.31 | 7.29 | 5.94 |
| Corporate Bond Fund | 0.48 | 0.37 | 2.16 | 2.54 | 7.26 | 7.11 | 6.33 | 4.31 | 7.45 | 5.94 |
| NZ Cash fund | 0.26 | 0.19 | 0.78 | 0.66 | 3.78 | 3.10 | 4.00 | 3.15 | 4.03 | 2.98 |
| Option Fund | 1.47 | 0.52 | 2.89 | 1.67 | 17.73 | 7.29 | 11.26 | 7.35 | 8.13 | 7.17 |
| Global Bond Fund | 0.44 | 0.33 | 2.58 | 2.46 | 6.39 | 6.01 | 6.41 | 6.46 | 7.22 | 7.37 |
| Core Equity Fund | 0.81 | 1.01 | 11.30 | 11.00 | 20.66 | 19.32 | 17.42 | 15.38 | 16.28 | 15.69 |
| Property Fund | 1.34 | 1.58 | 6.94 | 6.76 | 17.76 | 18.18 | 13.85 | 13.80 | 16.22 | 15.98 |
| Concentrated Equity Fund | -0.37 | 0.58 | 9.81 | 1.77 | 21.06 | 7.81 | 19.12 | 7.92 | 15.19 | 7.76 |
| Global Equity Funds | 0.56 | 0.83 | 2.17 | 2.70 | 3.42 | -0.73 | 13.62 | 11.90 | 10.23 | 8.79 |
| Multi-strategy Fund | 1.76 | 0.39 | 0.76 | 1.29 | 1.23 | 5.70 | 6.87 | 5.76 | 6.95 | 5.58 |

Indices

New Zealand Bond Fund – S&P/NZX NZ Government Stock Index

Corporate Bond Fund – S&P/NZX NZ Government Stock Index

NZ Cash – S&P/NZX Bank Bills 90-Day Index

Core Equity Fund – S&P/NZX 50 Index Gross with Imputation Index

Global Bond Fund – Barclays Capital Global Aggregate Index (100% hedged into NZD)

Global Equities – MSCI ACWI, with net dividends reinvested (50% hedged into NZD)

Option Fund – S&P/NZX Bank Bills 90-Day Index+ 4.0% p.a.

Concentrated Equity Fund – RBNZ Official Cash Rate plus 5.0% p.a.

Property Fund – S&P/NZX All Real Estate (Industry Group) Gross with Imputation Index

Multi-strategy Fund – S&P/NZX Bank Bills 90-Day Index + 2.5% p.a.