

Nikko AM KiwiSaver Scheme

OPTION FUND

Fund Update



What is the purpose of this update?

This document tells you how the NZ 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	\$930,801
Number of investors in the fund	17
The date the fund started	3 April 2018

What are the risks of investing?

Risk indicator for the 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 June 2019¹. 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.

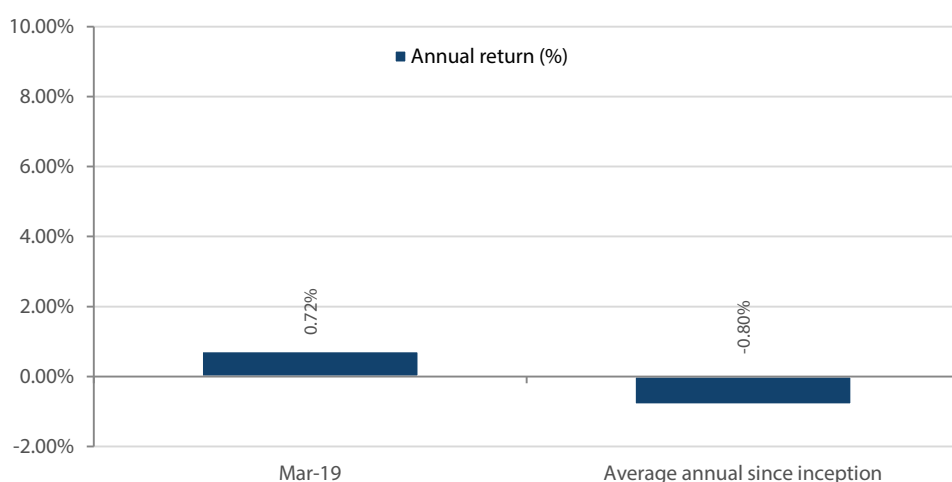
How has the fund performed?²

	Past year
Annual return <i>(after deductions for charges and tax)</i>	-2.64%
Annual return <i>(after deductions for charges but before tax)</i>	-3.84%

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 KiwiSaver Scheme 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 KiwiSaver Scheme Option Fund.

Additional information is available on the offer register at <https://disclose-register.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 June 2019.

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 2019, these were (inclusive of GST where applicable):

	% of net asset value
Total fund charges*	1.17%
Which are made up of:	
Total management and administration charges	1.17%
Including:	
Manager's basic fee	1.17%
Other management and administration charges	0.00%
Total performance-based fees	0.00%
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Other charges	\$ amount per investor
Annual membership fee	\$30 per annum

*Management fees have been waived until 30 September 2019.

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 KiwiSaver Scheme PDS for more information about those fees.

Example of how this applies to an investor

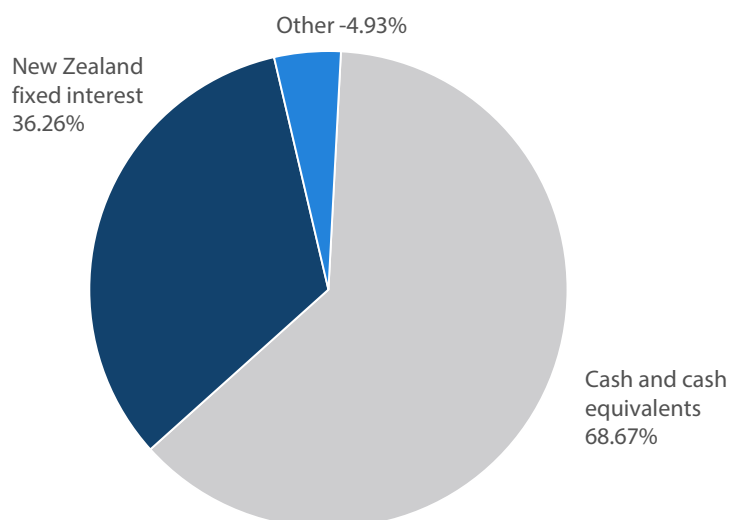
Small differences in fees and charges can have a big impact on your investment over the long term. For the purpose of this example, the start of the year is 1 April 2018².

Simon had \$10,000 in the fund at the start of the year and did not make any further contributions. There were no management fees charged during this period. At the end of the year, Simon received a return after fund charges were deducted of \$84 (that is 0.84% of his initial \$10,000). Simon also paid \$30 in other charges. This gives Simon a total return after tax of \$42 for the year.

What does the fund invest in?

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

Actual investment mix⁴



Target investment mix⁵

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 ASB Bank Ltd 190121 FRN	10.14%	New Zealand fixed interest	NZ	AA-
2 Barclays Collateral Account	10.03%	Cash and cash equivalents	GB	NR
3 Kiwibank Ltd 110620	8.86%	Cash and cash equivalents	NZ	A
4 Westpac New Zealand Ltd 140222 FRN	8.46%	New Zealand fixed interest	NZ	AA-
5 Goldman Sachs Collateral Account	8.24%	Cash and cash equivalents	GB	NR
6 Bank of New Zealand 180620 4.426	7.95%	Cash and cash equivalents	NZ	AA-
7 Kiwibank Limited 221121 FRN	7.78%	New Zealand fixed interest	NZ	AA
8 ASB Bank Ltd 240222 4.20	6.71%	New Zealand fixed interest	NZ	AA-
9 Rabobank Nederland NZ Branch 100620 4.592	5.59%	Cash and cash equivalents	NZ	A+
10 ASB Bank 250320 TD	5.20%	Cash and cash equivalents	NZ	AA-

The total value of the top 10 investments makes up 78.96% 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	19 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	7 years and 6 months	Cash Portfolio Manager - Nikko Asset Management New Zealand Limited	4 years and 10 months
3	Matthew Johnson	Fixed Income Manager	0 years and 9 months	Senior Strategy Analyst – The Comfort Group	2 years and 6 months
4	George Carter	Managing Director	3 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 KiwiSaver Scheme, 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 July 2014 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 "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.

⁵ All investments in this fund update are described in New Zealand dollars.