

Nikko AM Balanced Strategy

Monthly Update 30 June 2025

Assets are held in the Nikko AM Wholesale NZ Balanced Fund. The Nikko AM Balanced Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM Balanced Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- June was another strong month for global equities as the remarkable rally from the early April "Liberation Day" sell-off continued despite escalating conflict in the Middle East.
- Global bonds (hedged to NZD) and NZ Bonds both posted a solid gain in June to round out a return of 1.3% and 1.4% respectively for the quarter.
- The MSCI ACWI (NZD Hedged) was up 3.8% for June, and up 9.2% for the quarter. The Kiwi was stronger versus the US Dollar and most of the other major currencies over the month and the quarter.
- The US Federal Reserve (Fed) remained in 'wait-and-see' mode over the quarter in keeping rates at 4.25-4.50% following their May and June meetings.

Fund Highlights

- Global equities were the standout asset class over the quarter, and local property also performed very well.
- The Multi-Manager Global Equity Fund outperformed the global benchmark, with the two 'growth' style managers (WCM and Nikko-Europe) outperforming strongly.
- The Global Bonds Fund outperformance was driven by GSAM's duration, cross-sector and security selection in corporate bonds.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale¹	2.13%	4.65%	10.67%	8.94%	5.89%	7.13%
Benchmark²	1.97%	4.00%	10.01%	9.10%	6.27%	6.62%
Retail³	1.87%	4.13%	9.24%	7.85%	5.05%	
KiwiSaver³	1.86%	4.07%	9.03%	7.75%	5.01%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any). Based on actual calendar periods.

2. Benchmark: Weighted composite of the benchmarks for the underlying sector funds. No tax or fees

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Portfolio Manager

Alan Clarke,

Portfolio Manager

Responsible for providing overall management of the diversified funds and for managing external investment managers. Alan has over 20 years' experience in investment management as both an analyst and portfolio manager. Prior to starting at Nikko AM, Alan spent 17 years at ANZ Investments and has also held roles at Theta Capital Management in Amsterdam and Morley Asset Management in London. Alan joined Nikko in 2023.



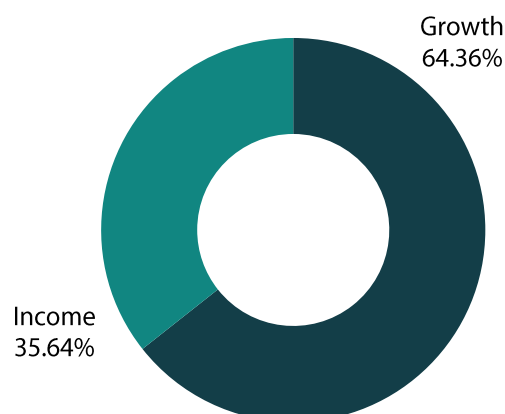
Overview

This fund has a diversified portfolio across income, growth and alternative assets which aims to generate a return while minimising potential losses.

Objective

The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three-year period.

Asset Allocation



Sector Performance

	Month		3 months		1 year		3 years p.a.		Asset Allocation	
	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
NZ Cash Fund	0.35%	0.27%	1.05%	0.88%	5.31%	4.62%	5.49%	4.87%	4.05%	5.00%
NZ Bond Fund	0.86%	0.69%	1.54%	1.43%	7.41%	6.82%	5.34%	4.19%	10.52%	11.00%
NZ Corporate Bond Fund	0.83%	0.76%	1.51%	1.35%	8.02%	7.76%	6.15%	5.67%	5.25%	5.50%
Global Bond Fund	1.04%	0.86%	1.43%	1.32%	6.07%	5.47%	4.25%	2.98%	15.81%	16.50%
Core Equity Fund	1.79%	1.54%	2.78%	2.79%	6.49%	8.35%	6.39%	5.91%	8.46%	8.50%
Concentrated Equity Fund	3.08%	0.65%	4.04%	2.04%	3.10%	9.36%	6.37%	9.65%	8.47%	8.50%
Property Fund	2.38%	2.59%	7.16%	7.25%	10.44%	9.37%	1.23%	0.32%	6.08%	6.00%
Global Equity Unhedged Fund	2.57%	2.77%	4.94%	4.05%	17.28%	16.61%	22.46%	18.29%	20.29%	19.50%
Global Equity Hedged Fund	3.51%	3.79%	9.77%	9.15%	13.62%	13.35%	19.91%	15.73%	21.06%	19.50%

The benchmark for this strategy is a weighted composite of the benchmarks of the underlying sector funds. Details can be found in the Statement of Investment Policy and Objectives available at www.nikkoam.co.nz.

Market Commentary

June was another strong month for global equities as the remarkable rally from the early April "Liberation Day" sell-off continued despite escalating conflict in the Middle East. US and UK equity markets made new all-time record highs, surpassing levels gained in Q1 before the playing field for global trade was altered. Global bonds (hedged to NZD) and NZ bonds both posted a solid gain in June to round out a return of 1.3% and 1.4% respectively for the quarter. Geo-politics dominated the narrative in June, with ongoing updates on global trade negotiations. These were generally constructive announcements, albeit with very few finalised trade agreements being completed as the early July tariff deadline loomed large. The conflict in the Middle East escalated with the US military targeting Iranian nuclear sites, however Israeli-Iran negotiations for a ceasefire quickly followed and equity markets resumed their march higher into quarter end. The MSCI ACWI (NZD Hedged) was up 3.8% for June, and up 9.2% for the quarter. The Kiwi was stronger versus the US Dollar and most of the other major currencies over the month and the quarter. Returns for the MSCI ACWI (in NZD terms) were less than fully hedged, up 2.3% for the month, and up 3.8% for the quarter.

The US Federal Reserve (Fed) remained in 'wait-and-see' mode over the quarter in keeping rates at 4.25-4.50% following their May and June meetings. They retained a slightly dovish tone and expectations are for 1 or 2 rate cuts later this year. The US labour market has held up well over the first 6 months of 2025, and services and manufacturing surveys remained at 'neutral' levels, not indicative of a strong economy, but not suggesting an imminent recession either. The BoE and ECB both continued cutting rates in the second quarter, and both signalled they are likely to continue doing so over the remainder of the year. Japan remains an obvious outlier to most other central banks with interest rate hikes signalled for later in the year amidst robust economic growth and building inflationary pressures.

On a regional basis the 2023-24 pattern of US and Japanese equities leading the way resumed over the second quarter, while share markets in Europe, UK, Australia and New Zealand delivered more muted returns. On a sector basis, more 'growth' focused sectors such as Information Technology and Communications Services led the way, while Energy and Healthcare lagged the broader market.

Fund Commentary

The Balanced Fund posted a strong gain over both June and the second quarter of 2025, ahead of the return of the benchmark in both cases. Pleasingly, relative performance was strong across all the key asset classes, highlighting the diversification the fund has to a range of different active investment strategies. Global equities were the standout asset class over the quarter, and local property also performed very well. Local equities lagged their global counterparts but posted solid gains, and both global and local bond markets delivered positive returns. The Multi-Manager Global Equity Fund outperformed the global benchmark, with the two 'growth' style managers (WCM and Nikko-Europe) outperforming strongly to more than make up for weakness from the two 'core' managers (Royal London and JPM AM). WCM outperformed the benchmark by more than 7%, with RobinHood Markets, Applovin, Siemens Energy, and SAAB the top contributors. Closer to home the positions that added the most value in Australasian equities were NextDC, Sky TV and Spark, and Goodman group from the listed property allocation. The Global Bond Fund's outperformance was driven by GSAM's duration, cross-sector and security selection in corporate bonds. In the local bond allocation, outperformance was driven by the longer duration position as well as the recovery in credit margins post the early April volatility that initially led to some spread widening.

Key Fund Facts

Estimated annual fund charges (incl. GST):		Distributions:	Generally does not distribute	Strategy Launch:	April 1994
Wholesale:	Negotiated outside of the unit price	Hedging:	Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund's foreign currency exposure is 24.6%.	Strategy size:	\$125.9m
Retail:	0.94%, refer PDS for more details				
KiwiSaver:	1.14%, refer PDS for more details.			Buy / Sell spread:	0.09% / 0.09%
Performance Fee:	Not charged in this fund				

Compliance

The wholesale fund complied with its investment mandate and trust deed during the quarter.

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