

# Nikko AM Global Bond Strategy

Monthly Update 30 April 2025

Assets are held in the Nikko AM NZ Wholesale Global Bond Fund. Nikko AM Global Bond Fund (retail) invests in units in the wholesale fund, which this commentary refers to.

## Market Overview

- April was a volatile month for fixed income markets across the globe, with the 30-year US Treasury yield briefly exceeded 5%.
- Mixed data contributed to the uncertainty, as most hard data remained robust while some surveys looked weaker.
- Investment grade (IG) credit spreads widened on the back of growth fears driven by tariff announcements.

## Fund Highlights

- The portfolio return lagged the benchmark in April 2025.
- Government Swap Selection and Cross-Sector strategies detracted from performance whilst the Duration strategy contributed to performance.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	0.68%	1.16%	7.63%	2.95%	0.88%	3.13%
<b>Benchmark<sup>2</sup></b>	0.89%	1.61%	6.85%	2.25%	-0.01%	2.34%
<b>Retail<sup>3</sup></b>	0.65%	1.05%	6.48%	2.09%	0.14%	2.23%

1. Returns are before tax and before the deduction of fees and including tax credits (if any). Based on actual calendar periods.
2. Benchmark: Bloomberg Barclays Global Aggregate Index, hedged into NZD. 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<sup>1,2</sup>



## Investment Manager

Nikko AM NZ uses Goldman Sachs Asset Management Australia Pty Ltd (GSAM) for the management of global fixed interest assets. Established in 1988, GSAM is one of the world's leading asset managers. The Goldman Sachs Asset Management Global Fixed Income Team managed over US\$690 billion of global fixed income and currency assets (as at 30th September 2022).

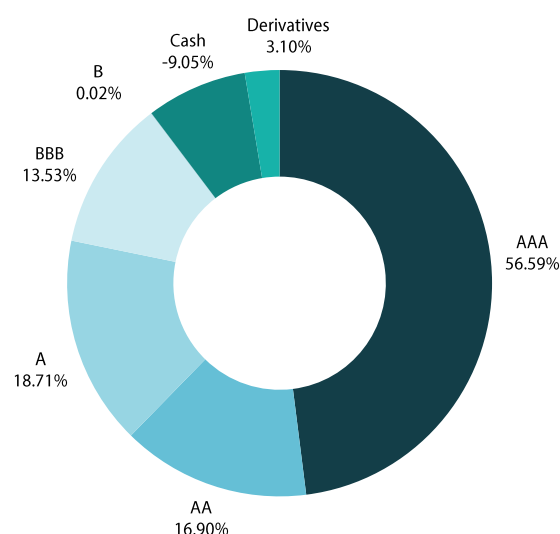
## Overview

The Strategy aims to provide investors with regular income by constructing an actively managed investment portfolio of permitted investments, with the potential for capital gain from global fixed interest markets.

## Objective

The strategy aims to outperform the benchmark return by 1% per annum before fees, expenses and taxes over a rolling three-year period.

## Credit Quality



Sector Allocation (% of fund)	Fund	Index
Governments	46.16	44.97
Agency	4.20	7.91
Collateralised & MBS	37.63	10.90
Credit	14.68	20.09
Emerging market debt	3.28	16.13
Cash, derivatives, other	-5.95	0.00

\*Includes deferred settlements

Duration
Fund 5.92 years vs Benchmark 6.40 years
Yield to Maturity
Fund (gross) 3.96% vs Benchmark 3.75%

## Market Commentary

April was a volatile month for fixed income markets across the globe. Over the month, the 30-year US Treasury yield briefly exceeded 5% while the US dollar (-4.6%) continued to underperform as tariffs were implemented. Treasuries ultimately rallied towards the end of the month as tariff negotiations and exemptions unfurled and sentiment rose. Furthermore, mixed data contributed to the uncertainty, as most hard data remained robust while some surveys looked weaker. In Europe, bonds experienced a sharp rally, unwinding nearly all of the selloff in March after the German fiscal shift. The rally was driven by the potential disinflationary impacts of tariffs and recent developments that led investors to question the safe-haven status of Treasuries. In Japan, Japanese Government Bonds (JGBs) experienced a sharp rally at the start of the month following concerns over tariffs weighing on the Japanese economy. Meanwhile, all G10 currencies appreciated versus the dollar over the month, led by the safe-haven Swiss franc (+7.1%) and Japanese yen (+4.9%), while the Norwegian krone (+1.4%) performed the worst on oil underperformance.

Hawkish comments from Fed Chair Powell exacerbated fears and long-end Treasury yields sold off sharply, driven further by reduced foreign investor appetite for US assets, as well as a weak auction raising concerns about demand. Meanwhile, in the UK, inflation came in to be softer than expected, contributing to the rally and re-enforcing the BoE's easing bias. In Europe, the ECB continued to cut rates by 25bps in April as expected, with a dovish-leaning statement due to the growth headwinds from tariffs. At the Bank of Japan's (BoJ) meeting, rates were held steady, with more cautious forward guidance considering the uncertainty. Growth forecasts were also reduced, and inflation is expected to dip below target next year.

April was a turbulent month for credit markets. Investment grade (IG) and high yield (HY) corporate credit spreads widened on the back of growth fears driven by tariff announcements. Similarly, Agency MBS and securitized credit spreads widened due to an uptick in volatility and outflows from money managers. Emerging market (EM) spreads widened, following a similar pattern to other risk assets as the market priced in the impact of reciprocal tariffs.

## Fund Commentary

The portfolio underperformed the benchmark in April 2025. This was driven by Government Swap Selection and Cross-Sector strategies, whilst the Duration strategy contributed to performance.

The Government Swap Selection strategy underperformed, driven by the Japan flattener position as front-end rates rallied in response to the tariff news. The long US swap spreads position also underperformed on growing concerns over reduced foreign investor appetite for US assets. The Cross Sector strategy also detracted from performance, driven by overweight positioning in securitized assets, particularly CMBS and CLOs. Spreads widened in April in a risk-off move, as tariff-related concerns drove significant volatility.

The outperformance of the Duration strategy was driven by the tactical month end auction strategy. The directional underweight Japanese rates position also contributed to performance, as we initiated the position after rates rallied at the start of April with the global trend. JGBs subsequently sold off, as robust data and inflationary pressures argue for more hikes from the BoJ.

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Hedging:</b>	All investments will be hedged to New Zealand dollars within an operational range of 98.5% - 101.5%.	<b>Strategy Launch:</b>	October 2008
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Exclusions:</b>	Controversial weapons.	<b>Strategy size:</b>	\$972.8m
<b>Retail:</b>	0.80%, refer to PDS for more details.	<b>Restrictions:</b>	Thermal coal mining and extraction, oil tar sands extraction, tobacco stocks and fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Buy / Sell spread:</b>	0.00%/0.00%
<b>Distributions:</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	Calendar quarter				

## Compliance

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

## Contact Us

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