

# NIKKO AM BALANCED STRATEGY

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

## Market Overview

- The March month saw financial markets finish the financial year strongly. Equity markets were generally up (the exception being emerging markets which had a very modest sell off). The European bourses were leading the upwards lifts (e.g. DAX (Germany) up nearly 9% and CAC (France) up more than 6%). Closer to home, the ASX was up over 2% and the NZX50 was up nearly 3% for March.
- One year returns to 31 March 2021 look extraordinarily high, but it's a little artificial to only note the upwards re-bounce and ignore the preceding fall in March 2020.

## Fund Highlights

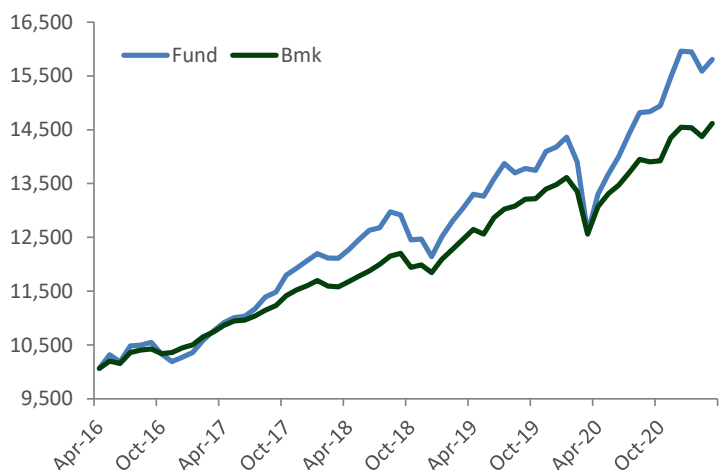
- The fund produced positive returns for the month but not enough to recoup the losses incurred in February.
- As noted in these pages on previous occasions, we don't try and time currency movements, but do note that having some exposure to foreign currency is a good source of diversification and so believe it is wise to keep an element of foreign asset holdings unhedged.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	1.42%	-0.94%	25.73%	9.29%	9.59%	10.03%
Benchmark <sup>2</sup>	1.68%	0.49%	16.40%	8.08%	7.89%	8.30%
Retail <sup>3</sup>	1.01%	-1.12%	24.98%	7.91%		
KiwiSaver <sup>3</sup>	1.01%	-1.11%	25.06%	8.23%		

1. Returns are before tax and before the deduction of fees. 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

## Five Year Cumulative Performance<sup>1,2</sup>



## Portfolio Manager

**George Carter**, is Managing Director of Nikko AM New Zealand, he joined in 2015. He has over 20 years of experience in the financial services industry. George has worked as a consulting actuary advising institutional clients on pensions and investments in the UK and New Zealand. George is Chair of the Investment Committee, responsible for the strategic asset allocation of the Nikko AM NZ diversified funds.



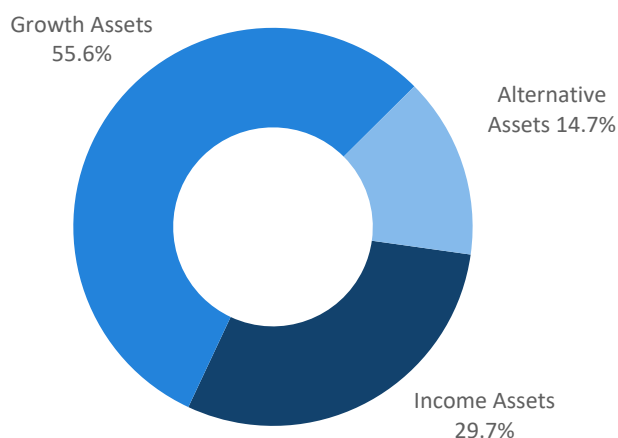
## Overview

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	One month		Three months		One year		Three years p.a.		Asset Allocation	
	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
NZ Bond Fund	0.56%	0.60%	-3.27%	-2.99%	2.74%	-0.78%	4.92%	3.54%	10.0%	10.0%
NZ Corporate Bond Fund	0.31%	0.25%	-1.76%	-1.26%	4.92%	3.11%	5.30%	4.35%	9.9%	10.0%
Option Fund	-3.33%	0.35%	-7.11%	1.05%	0.10%	4.32%	-12.63%	5.30%	5.0%	5.0%
Global Bond Fund	-0.21%	-0.41%	-3.45%	-2.49%	6.54%	1.39%	5.72%	3.99%	9.8%	10.0%
Core Equity Fund	3.31%	2.92%	-4.66%	-3.87%	27.82%	28.93%	12.47%	15.65%	13.2%	13.0%
Property Fund	0.69%	0.49%	-3.58%	-4.08%	34.30%	26.32%	15.82%	15.37%	5.0%	5.0%
Concentrated Equity Fund	4.17%	0.44%	-4.11%	1.27%	31.40%	5.25%	9.47%	6.06%	8.1%	8.0%
Global Shares Funds	3.63%	4.45%	4.71%	6.34%	52.76%	43.62%	18.34%	12.32%	26.3%	26.0%
Multi-Strategy Alternative	-1.28%	0.62%	2.57%	-0.91%	21.46%	-1.12%	7.16%	2.12%	9.7%	10.0%
ARK Fund	-4.58%	0.80%	-1.48%	2.41%					3.0%	3.0%

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](http://www.nikkoam.co.nz).

## Market Commentary

The March month saw financial markets finish the financial year strongly. Equity markets were generally up (the exception being emerging markets which had a very modest sell off). The European bourses were leading the upwards lifts (e.g. DAX (Germany) up nearly 9% and CAC (France) up more than 6%). Closer to home, the ASX was up over 2% and the NZX50 was up nearly 3% over the month. With the March 2020 falls no longer in the one year data, the one year returns to 31 March 2021 look extraordinarily high, but it's a little artificial to only note the upwards re-bound and ignore the preceding fall, and so we'd caution against taking too much stock from the one year numbers. The NZ dollar fell in value over the month against all the major currencies, meaning that investors whose foreign asset exposures were unhedged enjoyed stronger returns (in NZ dollar terms) than investors who had hedged their currency exposure. Following the significant bond yield movements upwards in February, these dropped back slightly in March resulting in positive returns for the fixed income sectors of the portfolios (though noting that the currency movement resulted in a negative return for global bonds on a hedged basis).

Despite the world wanting to move forward into a 'post-COVID' environment, vaccine production delays slowing rollout in Europe and slow progress on border restrictions will mean that COVID will continue to dominate the political and financial landscape for a reasonable time to come. However, the US is going to be leading something of an economic surge as spending soars with lockdown restrictions increasingly lifting, and with the economy already running hot the Biden \$2 trillion stimulus is only going to fan the flames of inflation. A key element to continue keeping an eye on is the degree to which central banks will continue to (and be able to) suppress bond yields (see last month's commentary).

## Fund Commentary

Given the overall market movements during March, the fund produced positive returns for the month but not enough to recoup the losses incurred in February resulting in modest losses for the first quarter of 2021. As has been noted in these pages on previous occasions, we don't try and time currency movements, but do note that having some exposure to foreign currency is a good source of diversification and so believe it is wise to keep an element of foreign asset holdings unhedged. Weaker performance from the ARK disruptive innovation strategy and our 'Alternative' sectors Multi-strategy hedge fund and option fund held back overall fund performance during the month, but were positive contributors over the year. As noted earlier, the one year performance figures overall are exceptionally high due to the March 2020 falls not being included, but looking through to the medium term three year returns, the picture remains of very healthy performance that is ahead of our longer term assumptions.

### Key Fund Facts

#### Distributions

Generally does not distribute

#### 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 18.51%

#### Performance fees

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, subject to recovery of any previous period negative returns before entitlement.

*Nikko AM Wholesale Option Fund*

15% of returns in excess return over benchmark, subject to recovery of any previous period negative returns before entitlement.

#### Estimated annual fund charges (incl. GST)

Wholesale: Negotiated outside of fund

Retail: 0.94%, refer PDS for more details

KiwiSaver: 0.96%, refer PDS for more details.

#### Buy / Sell spread

[Click to view](#)

#### Strategy size

\$387.7m

#### Strategy Launch

April 1994

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

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