

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

- In many developed countries, societies and governments are starting to see an end to the most intensive impact of COVID-19. With Vaccination rates now north of 50% in major economies (UK 64.2%, USA 54.5%, EU 54.3%, Mainland China 61.6%, as at 6 August) attention is turning towards the re-opening and restart of more normal activity.

Fund Highlights

- The fund produced a modest positive return for the month of July with risk assets (global shares) a positive driver. As mentioned, economies are entering a restart phase with COVID inspired restrictions being removed or loosened.
- The net result of these factors is an environment that is highly positive for risk assets with cost of capital remaining low and spending high – we expect these factors to remain in play for the year. This does not mean a smooth ride up for share and asset prices, risks still remain on the horizon with potential for stops and reversals should a new virus variant take hold.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.48%	2.04%	14.38%	9.20%	9.50%	10.62%
Benchmark ²	0.54%	1.80%	9.95%	7.87%	7.77%	8.74%
Retail ³	0.48%	1.80%	13.42%	8.40%		
KiwiSaver ³	0.48%	1.82%	13.50%	8.65%		

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^{1, 2}



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.



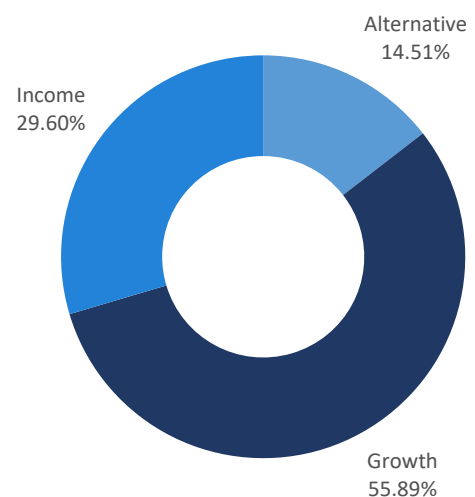
Overview

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	0.79%	0.71%	0.36%	0.12%	-1.85%	-2.96%	4.71%	3.31%	9.93%	10.00%
NZ Corporate Bond Fund	0.07%	-0.07%	-0.13%	-0.33%	-0.63%	-0.75%	4.85%	3.85%	9.92%	10.00%
Global Bond Fund	1.39%	1.25%	2.28%	2.01%	1.22%	0.22%	6.49%	4.70%	9.96%	10.00%
Core Equity Fund	-0.19%	-0.46%	0.75%	-0.96%	8.36%	8.04%	10.44%	13.07%	12.92%	13.00%
Property Fund	2.30%	2.39%	4.61%	3.62%	19.10%	15.74%	14.83%	14.21%	4.95%	5.00%
Concentrated Equity Fund	-0.57%	0.44%	3.65%	1.30%	14.92%	5.25%	10.14%	5.90%	7.89%	8.00%
Global Shares Funds UnH	3.15%	0.80%	6.56%	6.51%	31.57%	27.11%	19.48%	12.76%	13.25%	13.00%
Global Shares Funds Hedged	2.95%	0.68%	3.12%	3.11%	39.20%	33.25%	18.39%	12.11%	13.21%	13.00%
ARK Fund	-8.46%	0.80%	1.40%	2.41%	39.80%	10.00%			3.25%	3.00%
Option Fund	-2.11%	0.35%	0.39%	1.06%	2.49%	4.30%	-12.55%	5.10%	5.01%	5.00%
Multi-Strategy Alternative	-1.46%	0.27%	-1.98%	0.82%	10.59%	3.30%	4.68%	4.09%	9.71%	10.00%

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

In many developed countries, societies and governments are starting to see an end to the most intensive impact of COVID-19. With Vaccination rates now north of 50% in major economies (UK 64.2%, USA 54.5%, EU 54.3%, Mainland China 61.6%, as at 6 August) attention is turning towards the re-opening and restart of more normal activity. In this restart there are a wide range of potential outcomes, consequently market volatility has been increasing as sentiment moves between extremes. Concerns around runaway inflation compete against the risk of a potential downturn should a new virus variant take hold. Most recently the bond market has looked through the latest strong US employment numbers and inflation data and focused on Virus concerns. This has seen real yields drop back towards historic lows. These swings in sentiment are to be expected and will likely continue. With uncertainty remaining and arguments around the transitory nature of the current uptick in inflation yet to be proved invalid we expect central banks to err on the side of caution regrading growth and retain stimulatory policies for longer than they otherwise normally would – a positive for risk assets.

Fund Commentary

The fund produced a modest positive return for the month of July with risk assets (global shares) a positive driver. As mentioned, economies are entering a restart phase with COVID inspired restrictions being removed or loosened. This restart of activity is happening amid both highly supportive fiscal and monetary policy responses. The presence of these twin supportive factors is highly different from what we saw in the last global downturn, the global financial crisis of 2008 where fiscal austerity measures directly contributed to a long and sluggish recovery. The response from central banks also differs from that seen during the financial crisis. Central banks appear willing to keep highly supportive monetary policy in place for longer taking the view it's better to get growth and employment really humming before applying the brakes and dealing with any potential inflation pressures. The net result of these factors is an environment that is highly positive for risk assets with cost of capital remaining low and spending high – we expect these factors to remain in play for the year. This does not mean a smooth ride up for share and asset prices, risks still remain on the horizon with potential for stops and reversals should a new virus variant take hold. With markets presenting volatility and uncertainty an agile active approach to asset management as used in Nikko's diversified funds is prudent.

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 19.63%

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: 0.94%, refer PDS for more details.

Buy / Sell spread

[Click to view](#)

Strategy size

\$439.6m

Strategy Launch

April 1994

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

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