

NIKKO AM GLOBAL BOND STRATEGY

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 (source: GSAM)

- Recent macroeconomic developments reinforced our view of a robust but delayed economic recovery with higher near-term inflation in the US. The data also challenged developed market central bank views about the temporary nature of rising inflation, with the Federal Reserve (Fed) suggesting it is considering an accelerated taper given the upside inflation pressures.
- November marked the weakest monthly total return for US high yield corporate credit in 2021 as risk sentiment was challenged by interest rate volatility, weakening oil prices, emerging concerns around the Omicron variant and an overhang from continued high levels of net supply.

Fund Highlights

- The portfolio outperformed its benchmark over the month of November, driven by our Country and Duration strategies. Our Government/Swap Selection strategy was the main detractor over the month.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale ¹	0.88%	-0.94%	-1.31%	6.09%	4.69%	5.78%
Benchmark ²	0.79%	-0.41%	-0.58%	4.44%	3.61%	5.11%
Retail ³	0.48%	-1.45%	-2.24%	5.13%	3.69%	

1. Returns are before tax and before the deduction of fees. 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^{1, 2}



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. GSAM's Global Fixed Income Team manages over US\$525 billion of global fixed income and currency assets.

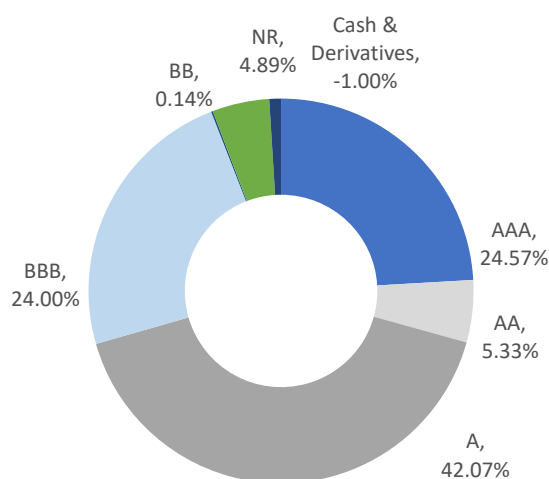
Overview

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	34.20%	46.20%
Agency	2.09%	8.13%
Collateralised & MBS	23.82%	11.57%
Credit	27.51%	20.05%
Emerging market debt	13.38%	14.00%
Cash, derivatives, other	-1.00%	0.05%

*includes deferred settlements

Duration
Fund 7.06 years vs Benchmark 7.39 years

Yield to Maturity
Fund (gross) 2.67% vs Benchmark 1.84%

Market Commentary (source: GSAM)

Recent macroeconomic developments reinforced our view of a robust but delayed economic recovery with higher near-term inflation in the US. The data also challenged developed market central bank views about the temporary nature of rising inflation, with the Federal Reserve (Fed) suggesting it is considering an accelerated taper given the upside inflation pressures. At the same time, the new Omicron variant of the coronavirus introduced another source of uncertainty into the global outlook. Third quarter earnings showed a normalization back to 2019 levels. Inflation remained on the radar for many companies while corporate break-ups made headlines. November marked the weakest monthly total return for US high yield corporate credit in 2021 as risk sentiment was challenged by interest rate volatility, weakening oil prices, emerging concerns around the Omicron variant and an overhang from continued high levels of net supply. In external emerging market debt, spreads hit their widest level over Treasuries over the past year.

Fund Commentary (source: GSAM)

The portfolio outperformed its benchmark over the month of November, driven by our Country and Duration strategies. Our Government/Swap Selection strategy was the main detractor over the month.

Our Country strategy contributed, owing to our relative value overweight in Canadian and Australian rates versus US rates. US rates underperformed the former two markets amid stronger than expected inflation data (with the US CPI rising at its fastest pace in three decades) and speculation on the Fed’s tapering schedule. The outperformance of our Duration strategy was driven by our overweight in Australian front-end rates as well as our tactical auction strategy in US rates. Our overweight position in Australian rates was supported by Australian wage growth data remaining fairly low and as market-implied pricing for front-end Australian rates stabilized.

Our Government/Swap selection strategy was the largest detractor, primarily due to our short US rates volatility and short UK inflation positions. Our volatility positioning detracted as rates market remained volatile in November on the back of monetary policy uncertainty and worsening Covid developments. At the same time, inflation pressures in the UK continued, leading our UK inflation trade to underperform.

We are running a low level of risk exposure in rates amid heightened uncertainty. We are underweight US rates and have added to our overweight US dollar position. We continue to moderate our overweight position in investment grade credit towards neutral. We have gone from neutral to underweight in agency mortgage-backed securities (MBS).

Key Fund Facts			
Distributions		Estimated annual fund charges (incl. GST)	
Wholesale fund:	Calendar quarter	Wholesale:	Negotiated outside of unit price
Retail fund:	Calendar quarter	Retail:	0.80%, refer PDS for more details
Hedging		Buy / Sell spread	Strategy size
All investments will be hedged to New Zealand dollars within an operational range of 98.5% - 101.5%.		0.00% / 0.00%	\$500.3m
Restrictions: Thermal coal mining and extraction, oil tar sands extraction, ‘controversial weapons’, tobacco stocks and fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website https://www.nikkoam.co.nz/invest/retail .		Strategy Launch	October 2008

Compliance

The Fund complied with its investment mandate and trust deed during the month.

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