

Factsheet 30 April 2022

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)

- Sovereign bond yields continued to rise as central banks proceeded with policy normalization and inflation data remained strong.
- We expect the Fed to hike rates at all of the remaining five meetings this year.
- Investment grade credit spreads widened in April, with the Bloomberg Global Aggregate Corporate Index widening by 19 bps to 142 bps over sovereigns.

Fund Highlights

- The portfolio underperformed the benchmark over the month of April - driven by our Cross Sector and (to a lesser extent) Corporate Selection strategies, while our Emerging Market Debt Selection strategy was the largest contributor to returns.
- Our Cross Sector strategy was the largest detractor, primarily owing to our sector overweight in investment grade credit and our rates hedge.
- Our EMD Selection strategy was the largest contributor, driven by our various selection positions, primarily in local rates.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale ¹	-3.24%	-6.93%	-7.27%	1.33%	2.46%	4.34%
Benchmark ²	-2.84%	-6.03%	-6.59%	0.22%	1.54%	3.81%
Retail ³	-2.66%	-6.91%	-7.70%	0.59%	1.61%	

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.

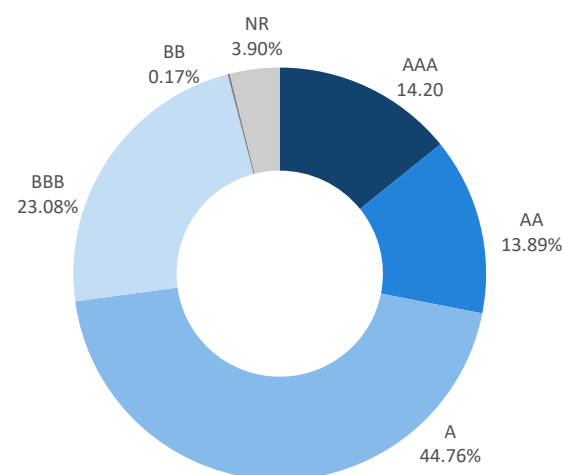
Overview

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	34.21%	45.62%
Agency	3.16%	8.01%
Collateralised & MBS	29.93%	12.12%
Credit	30.00%	19.74%
Emerging market debt	11.70%	14.54%
Cash, derivatives, other*	-9.00%	-0.03%

*includes deferred settlements

Duration
Fund 7.3 years vs Benchmark 7.05 years

Yield to Maturity
Fund (gross) 4.87% vs Benchmark 3.55%

Market Commentary (source: GSAM)

Sovereign bond yields continued to rise as central banks proceeded with policy normalization and inflation data remained strong. The Federal Reserve (Fed) raised the funds target rate range by 50 bps to 0.75% - 1.0%, as widely expected, and announced that balance sheet run-off will start early June. The Bank of England (BoE) raised interest rates 25 bps to 1%, the fourth rate hike of its tightening cycle. The European Central bank (ECB) kept policy unchanged at its April meeting but the Governing Council confirmed that net asset purchases will conclude in the third quarter. Investment grade credit spreads widened in April with the Bloomberg Global Aggregate Corporate Index widening by 19 bps to 142 bps over sovereigns. The European market was the most significant underperformer as spreads on the Bloomberg Euro Aggregate Corporate Index widened by 21 bps to 150 bps over Bunds.

Fund Commentary (source: GSAM)

The portfolio underperformed the benchmark over the month of April. The underperformance was driven by our Cross Sector and (to a lesser extent) Corporate Selection strategies, while our EMD Selection strategy was the largest contributor to returns.

Our Cross Sector strategy was the largest detractor, primarily owing to our sector overweight in investment grade credit. Investment grade credit spreads widened in April, with the Bloomberg Global Aggregate Corporate Index widening by 19bps to 142bps. Credit markets experienced heightened volatility throughout the month, driven by caution around earnings expectations and elevated inflation as a result of the Russia-Ukraine conflict. To help protect the portfolio against credit spread widening we have a 'rates hedge' strategy that uses exposure to long dated treasuries to help counter credit spreads; however as US treasuries also sold off as credit spreads widened this also detracted value during the month. Our Corporate Selection strategy also detracted from performance, driven by our idiosyncratic security selection, primarily in IG financials and industrials.

Our EMD selection strategy was the largest contributor, driven by our various selection positions, primarily in local rates. Our key underweights in South Korea, Thailand and Poland local rates contributed. In South Korea, the central bank surprised the markets at its April meeting by raising its policy rate by 25bps to 1.50%.

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	Strategy Launch
All investments will be hedged to New Zealand dollars within an operational range of 98.5% - 101.5%.		0.00% / 0.00%	\$442.8mm	October 2008
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 .				

Compliance

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

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.