

Factsheet 30 June 2022

NIKKO AM CONSERVATIVE STRATEGY

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

Market Overview

- June provided little change to the general market trend we've observed throughout 2022 as markets continue to digest and price in the consequences of central banks needing to crush demand so that inflation can be reined in. As we observed last month this painful medicine is a necessary consequence of the pandemic responses, but there seems little appetite for governments around the world to acknowledge this cause-and-effect phenomenon.

Fund Highlights

- The fund has generally fared well in the face of such market headwinds, but with a number of sectors being measured against 'cash' or 'absolute return' benchmarks, the overall performance is behind the blended index for the fund. The most helpful relative attribution came from global shares which outperformed the broader equity market (as measured by MSCI AWCI) by over 1% in the month and quarter, but even so the sector was still negative.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.83%	-4.69%	-7.67%	1.20%	3.89%	-
Benchmark ²	-1.73%	-4.43%	-6.99%	0.82%	3.24%	-
Retail ³	-2.03%	-4.87%	-8.25%	0.61%	-	-
KiwiSaver ³	-2.03%	-4.86%	-8.24%	0.63%	-	-

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. See overleaf. 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.

Cumulative Performance Since Inception^{1, 2}



Portfolio Manager

George Carter, is Managing Director of Nikko AM New Zealand, he joined in 2015. He has over 15 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.



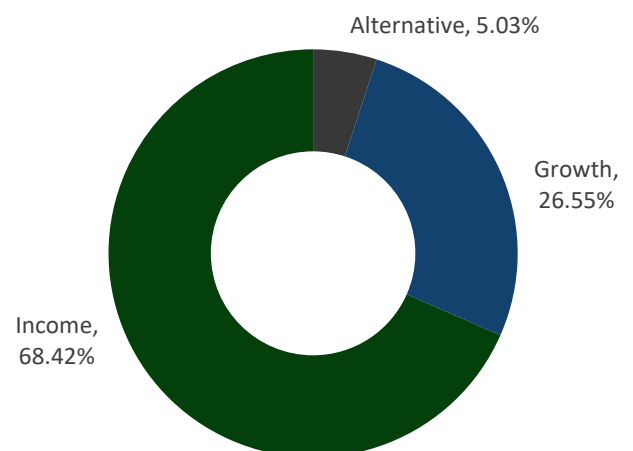
Overview

This fund has a diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.

Objective

The fund aims to outperform the benchmark return by 1.0% per annum before fees, expenses, and taxes over a rolling three-year period.

Asset Allocation



Sector Performance	1 month		3 months		1 year		3 years p.a.		Asset Allocation	
	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
NZ Cash Fund	0.22%	0.17%	0.49%	0.41%	1.21%	0.90%	1.50%	0.78%	15.20%	15.00%
NZ Bond Fund	-0.49%	-0.65%	-2.35%	-2.37%	-8.12%	-8.58%	-1.08%	-2.24%	17.81%	17.50%
NZ Corporate Bond Fund	-0.27%	-0.06%	-1.30%	-1.03%	-5.98%	-5.69%	0.19%	-0.26%	17.80%	17.50%
Global Bond Fund	-2.64%	-1.55%	-6.10%	-4.48%	-10.80%	-8.85%	-0.65%	-1.23%	17.61%	17.50%
Core Equity Fund	-3.60%	-3.82%	-9.66%	-10.15%	-10.89%	-13.50%	3.22%	1.86%	8.42%	8.50%
Property Fund	-2.96%	-2.71%	-12.33%	-12.22%	-13.95%	-13.15%	0.41%	-1.00%	4.51%	5.00%
Global Shares Funds UnH	-2.89%	-4.13%	-4.15%	-5.65%	-5.91%	-5.32%	11.70%	8.98%	7.08%	7.00%
Global Shares Fund Hedged	-7.93%	-9.04%	-16.42%	-17.53%	-17.57%	-16.50%	6.34%	4.65%	6.54%	7.00%
Multi-Strategy Alternative	-1.51%	0.42%	-3.89%	1.15%	-4.47%	3.93%	3.03%	3.80%	5.03%	5.00%

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

June provided little change to the general market trend we’ve observed throughout 2022 as markets continue to digest and price in the consequences of central banks needing to crush demand so that inflation can be reined in. As we observed last month this painful medicine is a necessary consequence of the pandemic responses, but there seems little appetite for governments around the world to acknowledge this cause-and-effect phenomenon. The preferred route out of this problem would be for growth to return to the global economy, but this is going to be very difficult to achieve given the geopolitical environment. In short, a world which is less keen to work together collaboratively to achieve more effective, efficient and smooth supply chains and production is going to have lower output and higher priced goods than one in which mutual growth and benefit is prioritized. The optimal outcome requires all sides to desire that outcome and in today’s environment that isn’t happening. The war in Ukraine is probably the most visible outworking of these tensions, but the Western-Sino relationship has soured considerably with a significant economic cost to all parties (of course whether or not this economic price is acceptable is a political judgement and it’s quite rational to make the argument it’s a price worth paying – the point being made here is that there is a price, not whether or not it’s appropriate). At a more granular level, equity market falls of 4-9% during the month take the year-to-date losses to 16-20%, and bonds have also participated in the value destruction, with cash being the only sector to preserve nominal (but not real – i.e. inflation adjusted) value.

Fund Commentary

The fund has generally fared well in the face of such market headwinds, but with a number of sectors being measured against ‘cash’ or ‘absolute return’ benchmarks, the overall performance is behind the blended index for the fund. The most helpful relative attribution came from global shares which outperformed the broader equity market (as measured by MSCI AWCI) by over 1% over the month and quarter, but even so the sector was still negative. Investors who held some foreign currency received some protection from the market sell off in NZ dollar terms as the NZ dollar weakened and hence those foreign currency holdings became more valuable, but clearly that benefit wasn’t received for those who had hedged their portfolios in NZ dollar terms; we reaffirm the comment that some exposure to foreign currency remains a valuable component of a well-diversified portfolio. Our ‘alternative’ sector (the JPMAAM multi-strategy fund of hedge funds) posted a negative but performed better than equity markets. A poor month for global bonds (down 1.5%) which exacerbated by that fund’s underperformance.

Key Fund Facts							
Distributions Generally does not distribute	Estimated annual fund charges (incl. GST) Wholesale: Negotiated outside of fund Retail: 0.71%, refer PDS for more details KiwiSaver: 0.71%, refer PDS for more details.						
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 8.04%	<table border="1"> <thead> <tr> <th>Buy / Sell spread</th> <th>Strategy size</th> <th>Strategy Launch</th> </tr> </thead> <tbody> <tr> <td>Click to view</td> <td>\$81m</td> <td>August 2016</td> </tr> </tbody> </table>	Buy / Sell spread	Strategy size	Strategy Launch	Click to view	\$81m	August 2016
Buy / Sell spread	Strategy size	Strategy Launch					
Click to view	\$81m	August 2016					

Compliance

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

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 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 retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on nikkoam.co.nz.