

Factsheet 31 July 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)

- Downbeat data and broad concerns around slowing growth across developed markets drove a sharp retracement of monetary policy expectations through July, lowering global sovereign bond yields. That said, central banks remained on a robust tightening path.

## Fund Highlights

- The portfolio outperformed the benchmark over the month of July. Outperformance was driven by Cross Sector (namely corporate credit) and Country strategies, respectively. Our Securitized selection strategy detracted from performance.
- Corporate credit markets outperformed in July. This was driven by positive earnings momentum and a more balanced outlook on Fed policy.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale <sup>1</sup>	3.37%	0.31%	-9.06%	0.21%	2.41%	4.08%
Benchmark <sup>2</sup>	2.55%	0.82%	-7.68%	-0.64%	1.53%	3.59%
Retail <sup>3</sup>	3.48%	-0.36%	-9.86%	-0.63%	1.45%	

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<sup>1, 2</sup>



## 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.

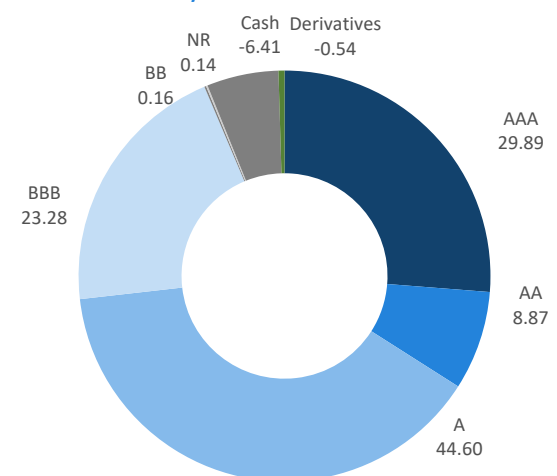
## Overview

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	34.68	45.41
Agency	2.82	7.85
Collateralised & MBS	29.19	12.56
Credit	29.69	19.60
Emerging market debt	10.57	14.52
Cash, derivatives, other*	-6.95	0.06

\*includes deferred settlements

Duration
Fund 6.42 years vs Benchmark 6.96 years

Yield to Maturity
Fund (gross) 5.27% vs Benchmark 3.83%

### Market Commentary (source: GSAM)

Downbeat data and broad concerns around slowing growth across developed markets drove a sharp retracement of monetary policy expectations through July, lowering global sovereign bond yields. That said, central banks remained on a robust tightening path. The European Central Bank delivered a larger-than-expected 50bps hike, taking its policy rates out of negative territory. The Governing Council also introduced its Transition Protection Instrument (TPI), a tool aimed to smooth the transmission of monetary policy across all Euro area countries. Elsewhere, the US Federal Reserve (Fed) delivered a 75bps hike though comments from Fed Chair Powell suggested a potential deceleration in the pace of future hikes. Rates markets responded favorably in anticipation of slower US tightening ahead given a loss of growth momentum and emerging signs of easing inflation pressures. In addition, the Bank of Japan (BoJ) reiterated an unchanged policy outlook given subdued inflation dynamics.

### Fund Commentary (source: GSAM)

The portfolio outperformed the benchmark over the month of July. Outperformance was driven by Cross Sector and Country strategies, respectively. Our Securitized selection strategy detracted from performance.

Our Cross Sector strategy contributed to performance. Outperformance was driven by our overweight sector exposure to investment grade corporate credit and the balance component of our Cross Sector strategy whereby we were overweight interest rates in balancing spread sectors. Investment grade spreads compressed amid positive earnings momentum, constructive technical dynamics and amid a more balanced outlook on Fed policy. In addition, markets retraced expectations for monetary policy, taking yields lower thereby supporting our overweight exposure to rates.

Our Country strategy also outperformed in July. This was driven by our Country signals whereby our overweight cross-market exposure to European and Swiss rates contributed. Across developed markets, European and Swiss rates outperformed from a relative-value standpoint. Lastly, our overweight cross-market position among Australian versus US rates benefited from softer than expected Australian data and the continued uptrend in US rates.

Our Securitized selection strategy was the largest detractor over the month, driven by our agency MBS positioning. Our overweight exposure to production versus discount coupons detracted in addition to our overweight Ginnie Mae MBS versus Fannie Mae MBS positions.

Key Fund Facts			
<b>Distributions</b>		<b>Estimated annual fund charges (incl. GST)</b>	
Wholesale fund:	Calendar quarter	Wholesale:	Negotiated outside of unit price
Retail fund:	Calendar quarter	Retail:	0.80%, refer PDS for more details
<b>Hedging:</b>	All investments will be hedged to New Zealand dollars within an operational range of 98.5% - 101.5%.	<b>Buy / Sell spread</b>	<b>Strategy size</b>
		0.00% / 0.00%	\$450.4m
<b>Restrictions:</b>	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) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Strategy Launch</b>	October 2008

### Compliance

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

### Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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