

# 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

- Some inflationary factors starting to show signs of peaking, or being close to peaking, we observed that markets may be starting to sense the end of the interest hiking cycle.
- We expect market volatility to remain elevated in the coming months.
- The sell-off of the USD saw the NZ dollar recover a significant portion of recent losses.

## Fund Highlights

- The fund posted a solid return but lagged the benchmark.
- Domestic equity and bond funds performance was strong and contributed to returns, while the Option fund and ARK Fund detracted value.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale <sup>1</sup>	1.73%	-1.06%	-10.58%	1.35%	4.23%	8.15%
Benchmark <sup>2</sup>	2.08%	0.54%	-4.11%	2.66%	4.69%	7.08%
Retail <sup>3</sup>	0.88%	-2.21%	-12.31%	0.21%		
KiwiSaver <sup>3</sup>	0.88%	-2.21%	-12.32%	0.24%		

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).

## Five Year Cumulative Performance<sup>1, 2</sup>



## 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.



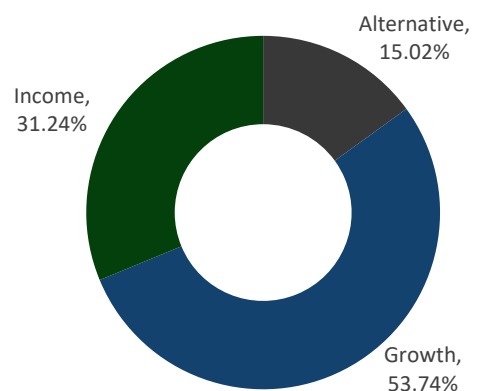
## Overview

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	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 Bond Fund	1.30%	0.67%	-0.14%	-0.20%	-4.97%	-5.69%	-1.79%	-2.87%	10.43%	10.00%
NZ Corporate Bond Fund	1.01%	1.00%	-0.24%	-0.10%	-3.02%	-2.84%	-0.43%	-0.73%	10.46%	10.00%
Global Bond Fund	3.14%	2.36%	-1.13%	-1.55%	-11.76%	-11.00%	-1.75%	-2.47%	10.34%	10.00%
Core Equity Fund	2.16%	1.92%	-0.02%	-0.08%	-6.30%	-8.42%	2.51%	1.38%	13.15%	12.00%
Concentrated Equity Fund	2.33%	0.69%	-1.26%	2.02%	-8.40%	6.94%	4.62%	5.90%	5.85%	5.00%
Property Fund	0.18%	-0.34%	-7.12%	-8.05%	-14.96%	-15.33%	-2.41%	-3.93%	4.97%	5.00%
Global Shares Funds UnH	-0.39%	0.79%	1.38%	1.99%	-5.58%	-3.42%	10.49%	7.81%	14.77%	15.00%
Global Shares Funds Hedged	7.82%	7.99%	2.02%	1.95%	-15.26%	-13.21%	7.20%	5.18%	13.55%	15.00%
ARK Fund	-7.37%	0.80%	-10.19%	2.41%	-59.15%	10.00%			1.44%	3.00%
Option Fund	-2.61%	0.62%	-14.02%	1.84%	-28.91%	6.10%	-18.43%	5.06%	4.57%	5.00%
Multi-Strategy Alternative	0.64%	0.54%	0.82%	1.60%	-1.83%	5.08%	3.56%	4.05%	10.45%	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](http://www.nikkoam.co.nz).

## Market Commentary

Investors enjoyed another month of strong investment performance across different asset sectors during November. In Europe a milder Autumn and the ability to access gas from the US (via hastily arranged tankers) has resulted in gas storage well above what was expected and indeed average storage for this time of year. Accordingly, some of the worries around energy security have receded (albeit far from being vanquished – and much could yet happen to change this). Combined with some other inflationary factors starting to show signs of peaking, or being close to peaking, we observed that markets may be starting to sense the end of the interest hiking cycle. The impact of this was perhaps best summed up when the US published its CPI update in November and surprised analysts with a figure of 7.7%, being lower than the 7.9% expected – markets were expecting to be disappointed with a number higher than forecasts that based on this small reduction there was a significant rally in both the bond and equity markets. We shouldn't read too much into any single figure, but what it does highlight is that markets are seeking reasons to rally. There will be plenty of negative data points in the coming months, and we can expect markets to give back some of these gains on those days, and therefore volatility will remain elevated, but maybe we've seen the worst of plunging bond and equity markets? The other significant feature in November was the surprising sell-off of the USD which saw the NZ dollar recover a significant portion of recent losses, and hence hedged funds have been protected from losses in US dollar exposures in particular.

## Fund Commentary

Global equity markets rallied significantly during November and led to strong positive returns in the fund, supported by positive returns from bond markets. In comparison with global equity markets, the NZ market was at the weaker end returning around 2% for the month, which was well behind the US & UK markets which were up over 6% in local currency terms. Over the past three months, the NZ dollar depreciated sharply before recovering, such that over the period the returns from hedged and unhedged equity strategies were broadly the same – again showing the benefit of not trying to pick currency markets, but to smooth out the volatility over time utilising a blended approach. With the markets starting to anticipate the end of the rate rising cycle, bond yields fell back resulting in mark-to-market gains in bond portfolios; however, it's likely that bond yields will remain volatile as inflationary and economic data become available. Detracting from portfolio returns were the Option Fund and ARK fund, which have had a difficult month and quarter.

### 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 18.24%.

#### Buy / Sell spread

[Click to view](#)

#### 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.

**Performance fee:** Not charged in these funds.

#### Strategy size

\$341.5m

#### Strategy Launch

April 1994

## Compliance

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

## Contact Us

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