

Factsheet 30 April 2023

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

- Global equity markets continued their strong start to the year with all key indices moving higher apart from the Chinese market
- The United States S&P 500 index rose 1.5%, the Japanese Nikkei 225 index added 2.9%, the UK FTSE 100 index gained 3.1% the Australian ASX 200 index increased 1.9% and the MSCI World index ended the month up 1.4%
- Bonds finished on a positive note after a volatile month and despite ongoing uncertainty around economies and inflation in many markets.
- The S&P/NZX 50 index ended the month up 1.1% and NZ bonds had a positive month as interest rates moved lower up 1.0%.

Fund Highlights

- April's positive returns pleasingly built on the positive March quarter. Risk sentiment stabilized while financial markets remained on alert regarding any further banking contagion in the wake of SVB's and Credit Suisse failures. This meant investors still sought assets such as high-grade credit and government bonds.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	1.69%	1.32%	-0.17%	4.34%	4.25%	7.68%
Benchmark ²	1.08%	1.95%	3.05%	4.64%	5.09%	6.80%
Retail ³	1.93%	1.35%	-1.50%	3.41%	3.30%	
KiwiSaver ³	1.92%	1.33%	-1.54%	3.42%	3.49%	

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^{1, 2}



Portfolio Manager

Stuart Williams is Managing Director of Nikko AM New Zealand, he joined in 2014. He has over 20 years' experience across all aspects of investment management. Stuart has extensive experience in conducting detailed research and developing investment recommendations on listed companies in both New Zealand and Australia. He holds a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant.



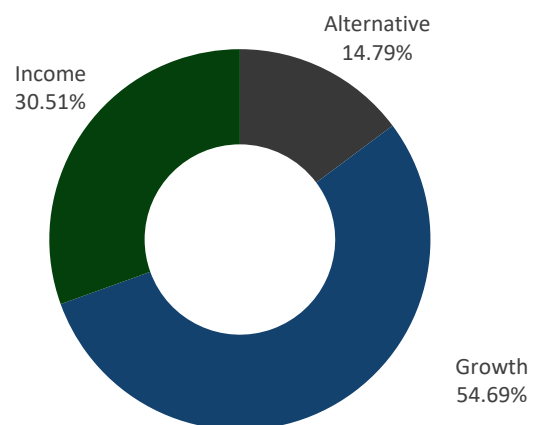
Overview

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	0.95%	0.96%	1.54%	1.38%	2.89%	1.59%	-1.90%	-3.26%	10.19%	10.00%
NZ Corporate Bond Fund	0.76%	0.75%	1.18%	1.23%	3.16%	3.03%	-0.47%	-0.73%	10.19%	10.00%
Global Bond Fund	0.58%	0.51%	0.90%	0.96%	-1.27%	-1.50%	-1.86%	-2.72%	10.13%	10.00%
Core Equity Fund	1.67%	1.14%	1.19%	0.73%	3.45%	2.01%	6.65%	5.25%	12.57%	12.00%
Concentrated Equity Fund	2.79%	0.80%	1.79%	2.30%	-0.39%	8.44%	6.41%	6.41%	5.35%	5.00%
Property Fund	0.40%	0.10%	-0.45%	0.64%	-11.69%	-11.91%	3.60%	1.61%	5.00%	5.00%
Global Shares Funds UnH	4.83%	2.75%	6.47%	6.27%	7.71%	7.25%	12.92%	12.00%	15.91%	15.00%
Global Shares Funds Hdged	2.66%	0.93%	-0.33%	0.28%	-1.13%	-1.50%	11.65%	10.91%	14.30%	15.00%
ARK Fund	-8.73%	0.80%	-4.27%	2.41%	-18.23%	10.00%			1.56%	3.00%
Option Fund	3.09%	0.73%	-0.64%	2.16%	-16.81%	7.71%	-5.70%	5.55%	4.81%	5.00%
Multi-Strategy Alternative	-0.13%	0.65%	-0.63%	1.92%	0.91%	6.67%	4.03%	4.53%	9.98%	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.

Market Commentary

April was a good month generally across asset classes, particularly equities. The equity markets continued their rally and have now broadly recovered from the tumult in March. Falling energy prices helped bring headline inflation down in major developed economies. While near-term recessionary risk seems to have receded somewhat, the closure of another US financial institution at the end of April highlights that the cumulative impact of central bank tightening has still not been fully felt by developed economies.

Movements in interest rates continue as the main driver of returns this year with large fluctuations due to considerable uncertainty around inflation, economic activity and changing expectations for central bank actions. During the month the ECB, Australia (unexpectedly), the UK, the United States, Mexico and New Zealand central banks, all raised official cash rates. For example, NZ interest rates were increased by 50bps when the market expected 25bps in response to "sticky" inflation. NZ inflation and growth, as a proxy for much of the developed world, is slowing albeit at a slower pace than central banks would like, and its likely short rates may need to be higher for longer. The risk being this may drag the mid curve higher. The longer end of the curve is inverted pricing - a slowing in activity and will likely follow the data. The long end is complicated as we give up yield investing longer, but there is the potential for greater capital gains from longer maturity bonds if rates move lower.

Fund Commentary

The majority of sectors within the fund performed inline or ahead of their respective benchmarks. This combined to deliver performance ahead of the aggregate benchmark for the month and modestly lessened the underperformance over the rolling quarter and year. Risk sentiment stabilised during the month and contributed to the generally positive market tone. The exception to this positive tone was the allocation to ARK which underperformed expectations. In a broad sense for ARK, Consumer Staples, Energy, and Health Care sectors outperformed in April, while the Materials, Technology, and Consumer Discretionary sectors lagged. These sectorial and specific stock picks detracted from ARK's performance.

Financial markets remain on watch regarding confidence in the banking systems and alert to stress in the system as interest rate peak over the remainder of the calendar year. Markets feel posed to rally in anticipation of inflation being bottled up but given how difficult it is to predict turning points, it seems reasonable markets will be less synchronised going forward. As we move into the year ahead, we expect markets to continue to adjust to a world of higher interest rates, increased recession risk and periods of volatility. This volatility may present opportunities to add risk assets at favorable prices, however return of turbulence is likely and taking a longer-term view will be of increasing importance to providing sound future returns.

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 20%.

Strategy Launch
April 1994

Strategy size
\$334.4m

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.

Compliance

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

Contact Us

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