

# Nikko AM Balanced Strategy

Monthly Update 31 March 2024

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

- A second-straight strong quarter for global equity markets which rallied consistently from the selloff in October 2023.
- The economic data releases over the first 3 months of 2024 generally surprised to the upside, with the US economy remaining a standout.
- Economic growth in Europe was not as strong as in the US, but did exceed muted expectations, and the UK entered a phase of expansion.
- Information technology continued its leadership role from the final quarter of last year, with communications services not far behind.

## Fund Highlights

- The fund performance was strong in terms of absolute return and relative returns for the first quarter of 2024, with equities being the main driver of absolute returns.
- The Global Shares Fund (unhedged) was the standout performer in absolute and benchmark relative terms over March (+5.8%), and over the quarter (+20.2%).
- The Concentrated Equity fund delivered a strong return for the quarter, up 7.8%, well ahead of the NZ equity market.
- Both the NZ and global bond portfolios added value over both the month and the quarter.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
<b>Wholesale<sup>1</sup></b>	2.92%	6.82%	13.52%	2.19%	5.29%	7.93%
<b>Benchmark<sup>2</sup></b>	2.47%	4.68%	11.63%	4.20%	5.82%	7.16%
<b>Retail<sup>3</sup></b>	2.88%	6.40%	13.08%	1.43%	4.50%	
<b>KiwiSaver<sup>3</sup></b>	2.88%	6.39%	13.08%	1.43%	4.57%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any). 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). Based on change in unit price.

## Five Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>



## Portfolio Manager

**Alan Clarke,**  
**Portfolio Manager**



Responsible for providing overall management of the diversified funds and for managing external investment managers. Alan has over 20 years' experience in investment management as both an analyst and portfolio manager. Prior to starting at Nikko AM, Alan spent 17 years at ANZ Investments and has also held roles at Theta Capital Management in Amsterdam and Morley Asset Management in London. Joined in 2023.

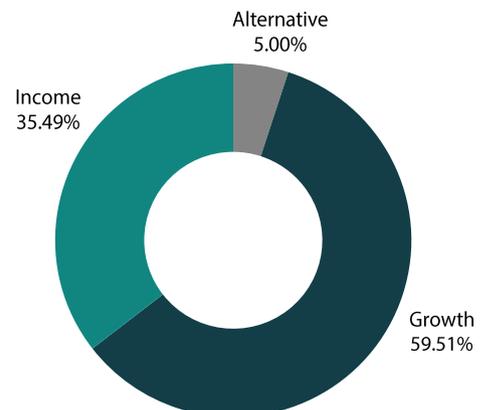
## Overview

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
<b>NZ Cash Fund</b>	0.53%	0.48%	1.54%	1.41%	6.40%	5.72%	3.64%	3.17%	4.67%	5.00%
<b>NZ Bond Fund</b>	1.33%	1.11%	0.26%	0.25%	5.22%	3.95%	-0.32%	-1.31%	11.94%	12.00%
<b>NZ Corporate Bond Fund</b>	1.25%	0.99%	0.80%	0.75%	6.79%	6.06%	0.98%	0.72%	7.95%	8.00%
<b>Global Bond Fund</b>	1.21%	0.91%	0.20%	-0.02%	5.25%	3.80%	-1.24%	-1.60%	10.92%	11.00%
<b>Core Equity Fund</b>	3.11%	3.33%	3.87%	3.13%	4.91%	2.75%	2.01%	-0.42%	13.15%	13.00%
<b>Concentrated Equity Fund</b>	3.45%	0.85%	7.82%	2.52%	13.39%	10.49%	3.87%	8.01%	5.06%	5.00%
<b>Property Fund</b>	3.89%	3.85%	0.04%	-0.07%	4.89%	4.34%	-3.11%	-3.54%	6.06%	6.00%
<b>Global Shares Funds Unhedged</b>	5.78%	5.05%	20.16%	14.53%	30.15%	28.88%	11.16%	12.73%	16.20%	16.00%
<b>Global Shares Funds Hedged</b>	4.08%	3.47%	14.84%	9.76%	23.69%	22.92%	4.15%	5.65%	16.04%	16.00%
<b>ARK Fund</b>	0.03%	0.80%	1.90%	2.41%	31.64%	10.00%	-19.27%	10.00%	3.01%	3.00%
<b>Multi-Strategy Alternative</b>	1.89%	0.72%	4.32%	2.16%	9.55%	8.88%	2.98%	6.25%	5.00%	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](http://www.nikkoam.co.nz).

## Market Commentary

Markets performed strongly in March, with many of the same trends seen in January and February continuing. This capped off a second-straight strong quarter for global equity markets which rallied consistently from the selloff in October 2023. The main difference from the final quarter of last year was that interest rates moved higher as the expected timing for interest rate cuts from key central banks, principally the US Federal Reserve, were pushed out to later in 2024. The Bloomberg Global Agg Index (NZD Hedged) returned 0.9% for March, and was very slightly down for Q1. By contrast the MSCI ACWI Index (NZD Hedged) was up 3.5% for March and 9.8% for the quarter. The Kiwi was weak over the quarter versus most of the majors, so returns were even more impressive for unhedged investors, up 5.1% for the month and 14.5% for the quarter. Closer to home NZ and Australian equities also rallied strongly in March after a sluggish start to the year, with the NZX50 up 3.3% (+3.1% for Q1) and the ASX200 up 2.6% (+4.0% for Q1). The economic data releases over the first 3 months of 2024 generally surprised to the upside, with the US economy remaining a standout. So far, the impact of one of the fastest interest rate tightening cycles has not significantly slowed the broader economy, and US GDP expanded at an annualized rate of 3.4% in the fourth quarter of 2023. Economic growth in Europe was not as strong as in the US, but did exceed muted expectations, and the UK entered a phase of expansion. Information technology continued its leadership role from the final quarter of last year, with Communications Services not far behind. IT has been the best performing sector in four of the last five quarters, and IT and Communications are comfortably ahead of all others over the last twelve months due to the dominance of the mega-cap US names in these sectors. Other sectors that performed strongly over the first quarter were the more cyclical ones such as Industrials, Financials and Energy. Japan (+20.6%) was the standout performer on a regional basis (local currency) with Europe (+12.4%) and the US (+10.2%) also delivering strong returns. The UK, Australia and NZ markets all posted positive returns for the quarter, but at 2.8%, 4.0% and 3.1% respectively, they lagged the broader global market.

## Fund Commentary

The fund performance was strong in terms of absolute return and relative returns for the first quarter of 2024, with equities being the main driver of absolute returns. The Global Shares fund was the standout performer in absolute and benchmark relative terms over March (+5.8% unhedged), and over the quarter (+20.2% unhedged). Overweight positions in Nvidia, Meta and Netflix all added value, as did insurance names Palomar Holdings, Progressive Corp, and Ryan Speciality. Not owning Apple and Tesla also added to relative returns. Stock selection within industrials (Worley Ltd), and Consumer Discretionary (Sony and Amadeus IT) was a detractor. The Concentrated Equity fund delivered a strong return for the quarter, up 7.8%, well ahead of the NZ equity market. The largest positive contributors were positions in NextDC, Contact Energy and Ingenia Communities. NextDC was up 29.6% (in AUD) after announcing a good result but more importantly outlining a strong demand outlook driven by cloud and Artificial Intelligence data storage requirements. Both the NZ and global bond portfolios added value over both the month and the quarter. The ARK fund had a volatile start to 2024, but finished the quarter slightly up, while the Multi-strategy fund posted a strong return of 4.3% for the quarter, up 9.6% for the last 12 months.

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST):</b>		<b>Distributions:</b>	Generally does not distribute	<b>Strategy Launch:</b>	April 1994
<b>Wholesale:</b>	Negotiated outside of the unit price	<b>Hedging:</b>	Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund's foreign currency exposure is 21.9%.	<b>Strategy size:</b>	\$281.4m
<b>Retail:</b>	0.94%, refer PDS for more details			<b>Buy / Sell spread:</b>	0.09% / 0.09%
<b>KiwiSaver:</b>	0.94%, refer PDS for more details.				
<b>Performance Fee:</b>	Not charged in this fund				

## Compliance

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

## Contact Us

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