

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

- The divergence we've observed over the past year between global and the local NZ markets (both bond and equity) ceased in November. However, this wasn't a cause for much good news in the equity markets as the NZX50 fell nearly 3% broadly similar to the global equity markets in aggregate where markets in most countries/regions saw material falls.
- This fall means that the NZX50 is now flat for the past 12-month period and around 20% worse than the global markets (as measured by MSCI indices).

Fund Highlights

- The fund's performance was disappointingly well behind its benchmark for the month. Global shares and our more concentrated specialist funds (ARK and NZ Concentrated equities) materially contributed to the underperformance.
- The 'alternative' sectors achieved what they're designed to do in the past 12 months which is to provide some protection against broader equity sell-offs in the short-term but outperform bonds over the longer term.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	-1.43%	-2.61%	6.07%	9.59%	9.99%	10.76%
Benchmark ²	-0.36%	-1.04%	5.38%	8.03%	7.85%	8.57%
Retail ³	-0.70%	-2.19%	5.65%	8.92%		
KiwiSaver ³	-0.70%	-2.18%	5.68%	9.08%		
Market index ⁴	-0.63%	-0.94%	6.98%	10.50%	9.83%	

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).
 4. Market index: See Other material Information document for composite details.

Five Year Cumulative Performance^{1, 2}



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.



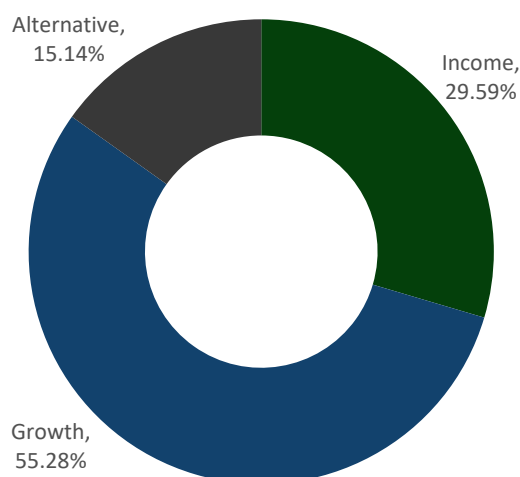
Overview

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	0.47%	0.74%	-3.01%	-3.02%	-6.32%	-6.74%	2.77%	1.39%	9.78%	10.00%
NZ Corporate Bond Fund	0.32%	0.28%	-2.35%	-2.13%	-4.33%	-3.90%	3.28%	2.42%	9.83%	10.00%
Global Bond Fund	0.88%	0.79%	-0.94%	-0.41%	-1.31%	-0.58%	6.09%	4.44%	9.97%	10.00%
Core Equity Fund	-2.84%	-2.89%	-3.28%	-3.57%	2.53%	0.23%	13.41%	13.78%	13.02%	13.00%
Concentrated Equity Fund	-4.29%	0.44%	-4.48%	1.32%	8.37%	5.30%	14.38%	5.74%	7.89%	8.00%
Property Fund	-4.05%	-3.78%	-7.47%	-7.58%	2.60%	0.09%	12.21%	11.17%	4.76%	5.00%
Global Shares Funds UnH	1.88%	2.91%	-0.39%	1.98%	23.61%	23.51%	21.34%	16.43%	13.59%	13.00%
Global Shares Funds Hedged	-4.72%	-3.57%	-4.33%	-1.92%	19.13%	19.33%	18.43%	13.80%	13.15%	13.00%
ARK Fund	-8.85%	0.80%	-10.21%	2.41%	-1.93%	10.00%			2.87%	3.00%
Option Fund	0.74%	0.39%	1.18%	1.11%	2.32%	4.38%	-12.23%	4.94%	5.23%	5.00%
Multi-Strategy Alternative	0.68%	0.31%	1.32%	0.86%	6.33%	3.38%	5.86%	3.94%	9.91%	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

The divergence we've observed over the past year between global and the local NZ markets (both bond and equity) ceased in November. However, this wasn't a cause for much good news in the equity markets as the NZX50 fell nearly 3% broadly similar to the global equity markets in aggregate where markets in most countries/regions saw material falls. This fall means that the NZX50 is now flat for the past 12-month period and around 20% worse than the global markets (as measured by MSCI indices). Worries about what the Omicron variant may, or may not mean for global growth were certainly a contributing factor; but may have been more of an 'excuse' for markets to sell off when they were nervous anyway from recent strength and rising bond yields and inflation that looks like being more persistent than the central banks were hoping. The bond markets provided some relief for investors with both NZ and global bonds reversing some of their recent losses, and similarly the weaker NZ dollar also meant that the value of unhedged foreign currency assets rose, resulting in a divergence of more than 6% in the month between hedged and unhedged equities, reaffirming our oft-mentioned advice that having some foreign currency exposure in portfolios is another helpful part of good diversification.

Fund Commentary

The fund's performance was disappointingly well behind its benchmark for the month. Not only did the broad-based global shares strategy fall by more than the index, but our more concentrated specialist funds (ARK and NZ Concentrated equities) materially contributed to the underperformance. Our bond funds provided the helpful positive performance desired, with the global bond strategy delivering the best performance both in absolute and relative terms. The 'alternative' sectors achieved what they're designed to do in the past 12 months which is to provide some protection against broader equity sell-offs in the short-term but outperform bonds over the longer term. The yield to maturity (YTM) for our domestic bond funds are now slightly higher than the YTM in the global bond fund, which means that all other things being equal the relative underperformance of domestic bonds versus global bonds should be behind us and performance should be more similar going forward. A number of headwinds for equities remain, and they do continue to look expensive relative to bonds hence why some commentators believe the current weakness in performance could continue. This is not to imply we believe a market crash is either imminent or likely, and indeed we continue to avoid trying to make any such short-term timing decisions; but nevertheless, we expect volatility to remain elevated and the outlook for overall fund returns to be lower than they have been in recent years.

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 19.34%

Performance fees

Performance fees (if any) are recognised in the unit price of the Balanced Fund for the following sector funds:

Nikko AM Wholesale Concentrated Equity Fund

10% of excess return over benchmark, subject to recovery of any previous period negative returns before entitlement.

Nikko AM Wholesale Option Fund

15% of returns in excess return over benchmark, subject to recovery of any previous period negative returns before entitlement.

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.

Buy / Sell spread

[Click to view](#)

Strategy size

\$449m

Strategy Launch

April 1994

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

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