

# 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

- 2021 proved to be a year of divergent performance, some large movements in several areas of the financial markets and a number of unexpected events; however, the year did finish on a positive note for investors with equity, property and bond markets moving higher over the month of December.
- The NZ dollar generally trended lower over the year meaning that investors with foreign currency assets benefitted (in NZ dollar terms) from their offshore exposure, but this modestly pulled back in December with the NZ dollar rising slightly against a basket of currencies.

## Fund Highlights

- The fund underperformed its benchmark for the quarter, but outperformed its benchmark over the month, with most sectors delivering returns above their respective market indices.
- We do not expect the levels of divergence between the NZ and global markets to continue at the levels observed during 2021, but there are a number of factors which will likely lead to ongoing volatility in markets.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale <sup>1</sup>	2.10%	1.20%	4.97%	11.33%	10.27%	10.92%
Benchmark <sup>2</sup>	1.75%	1.76%	5.77%	9.10%	8.04%	8.68%
Retail <sup>3</sup>	1.44%	0.81%	4.29%	10.50%		
KiwiSaver <sup>3</sup>	1.44%	0.82%	4.32%	10.63%		
Market index <sup>4</sup>	1.98%	2.18%	6.97%	11.86%	10.08%	

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<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.



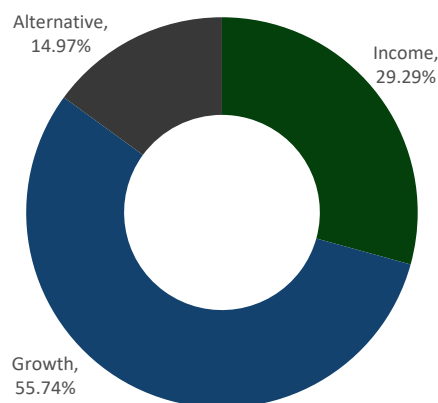
## Overview

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	0.69%	0.48%	-1.56%	-1.70%	-5.40%	-5.67%	2.64%	1.21%	9.71%	10.00%
NZ Corporate Bond Fund	0.45%	0.36%	-1.49%	-1.28%	-3.79%	-3.44%	3.09%	2.19%	9.74%	10.00%
Global Bond Fund	-0.07%	-0.37%	-0.07%	0.19%	-1.77%	-1.23%	5.70%	3.82%	9.84%	10.00%
Core Equity Fund	3.43%	2.55%	-0.79%	-1.73%	3.16%	0.20%	14.98%	14.77%	13.27%	13.00%
Concentrated Equity Fund	3.49%	0.48%	-1.68%	1.38%	6.43%	5.33%	16.86%	5.71%	8.08%	8.00%
Property Fund	6.47%	6.69%	1.26%	2.03%	5.19%	3.49%	13.78%	12.89%	5.00%	5.00%
Global Shares Funds UnH	3.51%	3.10%	7.09%	7.49%	22.76%	24.66%	25.08%	19.55%	13.58%	13.00%
Global Shares Funds Hedged	4.79%	4.00%	6.39%	6.48%	17.33%	18.83%	23.76%	18.74%	13.31%	13.00%
ARK Fund	-10.89%	0.80%	-14.28%	2.41%	-20.27%	10.00%			2.51%	3.00%
Option Fund	4.04%	0.39%	5.39%	1.15%	5.20%	4.43%	-9.48%	4.91%	5.25%	5.00%
Multi-Strategy Alternative	-0.38%	0.31%	1.31%	0.91%	2.67%	3.42%	6.06%	3.90%	9.72%	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

2021 proved to be a year of divergent performance, some large movements in several areas of the financial markets and a number of unexpected events; however, the year did finish on a positive note for investors with equity, property and bond markets moving higher over the month of December. The NZ equity market just managed to record a positive return for the year due to a 2.5% uplift in December, whilst global equities surged further ahead to finish the year 19-25% ahead of where they started the year (range reflecting different currency hedging approaches). The one sector that fell during December was global bonds, and over the whole year both the NZ bond market and the global aggregate bond market were negative ending a difficult year for bond investors. The NZ dollar generally trended lower over the year meaning that investors with foreign currency assets benefitted (in NZ dollar terms) from their offshore exposure, but this modestly pulled back in December with the NZ dollar rising slightly against a basket of currencies. Over a 3-year period the difference is relatively modest, and we continue to advocate that holding some foreign currency exposure is a sensible part of a well-diversified portfolio.

## Fund Commentary

The fund underperformed its benchmark for the quarter, but outperformed its benchmark over the month, with most sectors delivering returns above their respective market indices. Particularly strong were our NZ equity funds with the Core Fund being 0.9% ahead for the month and 3% ahead for the year. Global shares also performed well ahead of the benchmark but struggled to keep pace with the growth of the market over the full year. The Option Fund returned a very strong 4% for the month of December, but our other non-traditional investment sectors fared less well - with the Multi-strategy Fund being slightly negative but more significantly the ARK strategy, which fell nearly 11%, offsetting some of the gains elsewhere in the fund. Overall, December completed an acceptable year for the fund with returns being broadly in line with our long-term expectations. We do not expect the levels of divergence between the NZ and global markets to continue at the levels observed during 2021, but there are a number of factors which will likely lead to ongoing volatility in markets. Most obviously the way that different central banks and economies face and deal with higher inflation will play a role, as will the ongoing pandemic saga. Along with heightened geo-political tensions in eastern Europe and the South China Sea, it's possible to argue for a wide range of investment outcomes in 2022. The fund will approach this environment focused on its core strategy and will be managed with a medium to long term perspective being diversified both across and within sectors to help dampen volatility whilst achieving its investment objective.

## 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 19.04%

### 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

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### Strategy size

\$455.5m

### Strategy Launch

April 1994

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

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