

Factsheet 28 February 2022

NIKKO AM CONSERVATIVE STRATEGY

Assets are held in the Nikko AM Wholesale NZ Conservative Fund. The Nikko AM Conservative Fund (retail) and Nikko AM KiwiSaver Scheme Conservative Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global markets were generally down over February with COVID-19, inflation concerns, rising interest rates, company earnings and the invasion of Ukraine all having an impact.

Fund Highlights

- Positive returns from NZ equities, the multi-strategy fund and cash were insufficient to offset falls in global equities and bonds.
- Currency hedging added value to protect against the rising NZ dollar.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.10%	-2.34%	-0.15%	4.55%	5.56%	
Benchmark ²	-0.98%	-1.80%	0.25%	4.01%	4.78%	
Retail ³	-0.83%	-2.72%	-0.89%	3.99%		
KiwiSaver ³	-0.82%	-2.69%	-0.87%	4.01%		
Market index ⁴	-1.10%	-2.07%	0.21%	4.35%	4.96%	

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

Cumulative Performance Since Inception^{1,2}



Portfolio Manager

George Carter, is Managing Director of Nikko AM New Zealand, he joined in 2015. He has over 15 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.



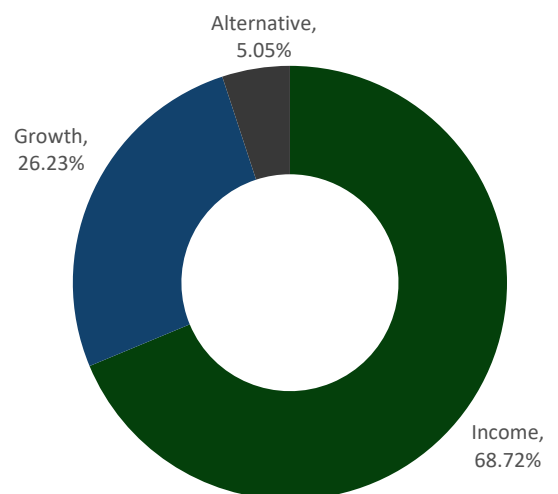
Overview

This fund has a diversified portfolio which aims to preserve capital and achieve an investment return above bank deposit rates.

Objective

The fund aims to outperform the benchmark return by 1.0% per annum before fees, expenses, and taxes over a rolling three-year period.

Asset Allocation



Sector Performance	1 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 Cash Fund	0.09%	0.07%	0.28%	0.21%	0.94%	0.51%	1.65%	0.82%	15.45%	15.00%
NZ Bond Fund	-0.69%	-0.75%	-0.91%	-1.13%	-3.22%	-3.75%	1.66%	0.30%	17.87%	17.50%
NZ Corporate Bond Fund	-0.59%	-0.57%	-0.67%	-0.67%	-2.86%	-2.97%	2.32%	1.52%	17.90%	17.50%
Global Bond Fund	-1.86%	-1.25%	-3.45%	-3.19%	-1.92%	-1.98%	3.88%	2.48%	17.51%	17.50%
Core Equity Fund	1.27%	0.75%	-4.65%	-5.75%	3.05%	-1.41%	9.40%	9.49%	8.23%	8.50%
Property Fund	-2.89%	-2.78%	-2.06%	-1.12%	1.04%	0.48%	9.63%	8.83%	4.77%	5.00%
Global Shares Funds UnH	-5.91%	-5.46%	-6.49%	-3.38%	10.59%	15.83%	17.11%	13.68%	6.68%	7.00%
Global Shares Fund Hedged	-1.97%	-1.40%	-6.97%	-3.85%	2.38%	6.91%	14.80%	11.75%	6.55%	7.00%
Multi-Strategy Alternative	1.21%	0.32%	-1.34%	0.95%	-3.68%	3.53%	4.48%	3.84%	5.05%	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

Market Commentary

Following the market sell off in January, the trend remained downwards during February as well. The NZ & Australian share markets moved slightly against that trend with positive returns, whilst developed global markets were generally down between 0-3% over the month. For NZ investors, currency hedging added value to protect against the rising NZ dollar which offset the opposite movement during January. Generally the same factors that were weighing on markets in January (tightening money supply, higher interest rates, increasing inflation fears) continued through February, but with the added uncertainty created by Russia’s military attacks on Ukraine. Accordingly, we saw energy stocks generally perform well with increases in energy prices improving their earnings (notwithstanding that some energy firms took significant losses on their Russian assets as they shunned Russian operations), and technology stocks generally struggled due to valuation concerns over rising interest rates even where such companies have strong cashflows and earnings outlooks. One aspect of change since the end of January is that the geopolitical conflict could bring forward the anticipated global slowdown and also make it worse which would weaken the case for interest rates to rise as far or as fast as previously expected. Should this narrative start to be heard from central banks, then markets may re-assess their expectation on when, and at what level, interest rates will peak in this cycle.

Fund Commentary

With most sectors falling in value, it’s no surprise that the fund as a whole produced a negative return for the month. Positive returns from NZ equities, the multi-strategy fund and cash were insufficient to offset falls in global equities and bonds (both domestic and global). During the month we took the decision to amend our mandates to prohibit the holding of Russian listed entities, or Russian entities issuing in offshore markets. Whilst the global share funds had no exposure to Russian equities, the global bond fund had a tiny amount of US dollar issued debt from two Russian companies which have been sold and a negligible exposure to Russian sovereign debt which can’t be traded due to sanctions. JPMAAM has also removed a 0.05% exposure to Russian assets in the multi-strategy fund and also imposed a prohibition from acquiring Russian assets at this time. This position will be reviewed in due course, and particularly if the broader sanctions against Russia are amended. We expect volatility both within and across sectors to remain, and in this environment especially, are pleased to have exposure to ‘alternative’ asset sectors, which help to reduce the overall volatility in the fund whilst still contributing to the fund’s return objectives.

Key Fund Facts		
Distributions	Generally does not distribute	Estimated annual fund charges (incl. GST)
		Wholesale: Negotiated outside of fund
		Retail: 0.71%, refer PDS for more details
		KiwiSaver: 0.71%, refer PDS for more details.
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 7.48%	Buy / Sell spread
		Click to view
		Strategy size
		\$92.3m
		Strategy Launch
		August 2016

Compliance

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

Contact Us

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