

Factsheet 31 March 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

- Bond markets continued to be the focus of much attention during March as interest rates continued their push higher resulting in 'mark-to-market' losses for bond funds (ie when interest rates move higher, your holdings of older bonds with a lower interest rate are worth less).
- The NZ dollar, perhaps surprisingly in a 'risk off' environment strengthened appreciably over the month resulting in enhanced returns for foreign currency investments that were hedged back to the NZ dollar.

## Fund Highlights

- The strong returns from equities, and a positive contribution from the multi-strategy hedge fund were insufficient to counter the losses from the bond sectors, leading to the fund falling in value by nearly half a percent over the month.

## Performance

|                           | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|---------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale <sup>1</sup>    | -0.45%    | -4.08%       | -1.49%   | 3.87%             | 5.32%            |                 |
| Benchmark <sup>2</sup>    | -0.55%    | -3.46%       | -1.27%   | 3.29%             | 4.56%            |                 |
| Retail <sup>3</sup>       | -0.43%    | -4.16%       | -1.95%   | 3.38%             |                  |                 |
| KiwiSaver <sup>3</sup>    | -0.43%    | -4.13%       | -1.94%   | 3.38%             |                  |                 |
| Market index <sup>4</sup> | -0.43%    | -3.60%       | -1.29%   | 3.64%             | 4.76%            |                 |

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<sup>1, 2</sup>



## 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.



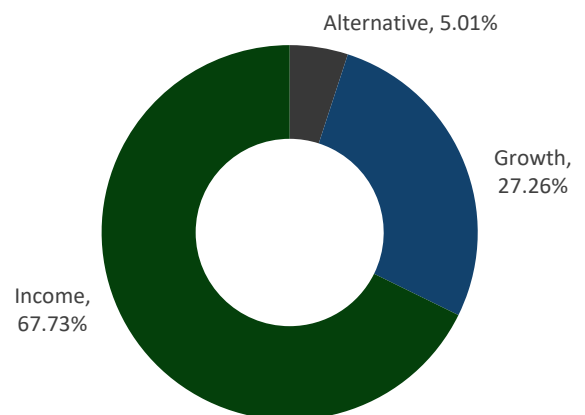
## Overview

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               | 0.07%   | 0.09%  | 0.26%    | 0.24%  | 0.94%  | 0.58%  | 1.58%        | 0.79%  | 15.11%           | 15.00% |
| NZ Bond Fund               | -2.02%  | -2.04% | -3.58%   | -3.62% | -5.70% | -6.28% | 0.43%        | -0.88% | 17.55%           | 17.50% |
| NZ Corporate Bond Fund     | -1.41%  | -1.45% | -2.52%   | -2.46% | -4.53% | -4.61% | 1.39%        | 0.69%  | 17.58%           | 17.50% |
| Global Bond Fund           | -1.99%  | -2.06% | -5.31%   | -4.83% | -3.67% | -3.60% | 2.53%        | 1.19%  | 17.50%           | 17.50% |
| Core Equity Fund           | 1.51%   | 1.36%  | -6.42%   | -6.85% | 1.26%  | -2.90% | 8.65%        | 7.91%  | 8.55%            | 8.50%  |
| Property Fund              | 1.30%   | 1.31%  | -6.82%   | -6.11% | 1.66%  | 1.30%  | 8.45%        | 7.51%  | 4.67%            | 5.00%  |
| Global Shares Funds UnH    | 0.09%   | -0.60% | -9.58%   | -6.84% | 4.66%  | 8.02%  | 16.31%       | 13.01% | 6.92%            | 7.00%  |
| Global Shares Fund Hedged  | 4.04%   | 3.55%  | -7.63%   | -4.27% | 4.70%  | 8.20%  | 15.25%       | 12.41% | 7.12%            | 7.00%  |
| Multi-Strategy Alternative | 1.38%   | 0.34%  | 0.41%    | 0.98%  | 0.34%  | 3.59%  | 4.86%        | 3.82%  | 5.01%            | 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

Bond markets continued to be the focus of much attention during March as interest rates continued their push higher resulting in ‘mark-to-market’ losses for bond funds (ie when interest rates move higher, your holdings of older bonds with a lower interest rate are worth less). The move upwards in interest rates comes from both investor expectation that central banks will continue to increase their base rate for lending (e.g. the OCR in NZ) and linked to this, that investors demand a higher interest rate to compensate for the erosion of value from inflation. How much higher interest rates will continue to climb is a matter of some debate, but we expect that some of the recent momentum will subside and that rates will stabilise around these levels but the risk is to the upside (ie if rates don’t stabilise then we expect they will be rising further rather than falling). Equity markets were generally strong globally, and the NZ market also rose, though not quite as strongly, with a return of 1.4% for March. This late uptick in March has meant that the return from equities in the first quarter of the year is less severe than it might have been. The NZ dollar, perhaps surprisingly in a ‘risk off’ environment strengthened appreciably over the month resulting in enhanced returns for foreign currency investments that were hedged back to the NZ dollar.

### Fund Commentary

The strong returns from equities, and a positive contribution from the multi-strategy hedge fund were insufficient to counter the losses from the bond sectors, leading to the fund falling in value by nearly half a percent over the month and quarter. Day-to-day volatility remains elevated across all sectors, serves as a reminder that good diversification is an important aspect of portfolio construction. As we finalise this year’s strategic asset allocation review we note that the higher interest rate environment will ultimately lead to higher expected returns over time, albeit that the journey will continue to provide significant jolts both upwards and downwards especially in equity markets. We remain firmly of the view that equities will outperform bonds over the longer term and that bonds will outperform cash, but the role of equities will remain limited in the fund due to its objective of being deliberately biased towards the generally less volatile and more predictable outcomes from bonds and cash.

### Key Fund Facts

|   |  |                          |                      |                        |                               |         |             |
|---|--|--------------------------|----------------------|------------------------|-------------------------------|---------|-------------|
| <p><b>Distributions</b></p> <p>Generally does not distribute</p> <p><b>Hedging</b></p> <p>Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund’s foreign currency exposure is 7.5%</p> | <p><b>Estimated annual fund charges (incl. GST)</b></p> <p>Wholesale: Negotiated outside of fund</p> <p>Retail: 0.71%, refer PDS for more details</p> <p>KiwiSaver: 0.71%, refer PDS for more details.</p>                     |                          |                      |                        |                               |         |             |
|   | <table border="0"> <tr> <td><b>Buy / Sell spread</b></td> <td><b>Strategy size</b></td> <td><b>Strategy Launch</b></td> </tr> <tr> <td><a href="#">Click to view</a></td> <td>\$88.7m</td> <td>August 2016</td> </tr> </table> | <b>Buy / Sell spread</b> | <b>Strategy size</b> | <b>Strategy Launch</b> | <a href="#">Click to view</a> | \$88.7m | August 2016 |
| <b>Buy / Sell spread</b>  | <b>Strategy size</b>   | <b>Strategy Launch</b>   |                      |                        |                               |         |             |
| <a href="#">Click to view</a>   | \$88.7m  | August 2016              |                      |                        |                               |         |             |

### Compliance

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

### Contact Us

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