

Factsheet 31 August 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

- Markets reversed some of the gains experienced during July. The exception to this was the NZ equity market which posted a positive return for August.
- Market dynamic remains in tension between the desire for interest rates to push higher in order to crush inflation and the world adjusting to a lower growth, lower consumption period whilst supply side policies repair.

Fund Highlights

- Losses were experienced in both the income sector (domestic and global bonds) and growth sector (global equities) over the month.
- The multi-strategy fund (which we use as an alternative defensive portfolio), demonstrated its ability in behaving in an uncorrelated way to bond and equity markets, and is down just 1.3% over the past 12 months thereby mostly preserving nominal value in difficult market conditions.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.51%	-0.50%	-7.95%	1.05%	3.77%	
Benchmark ²	-1.32%	-0.59%	-7.06%	0.57%	3.21%	
Retail ³	-1.26%	-0.70%	-8.42%	0.48%		
KiwiSaver ³	-1.26%	-0.71%	-8.41%	0.48%		

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.

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.



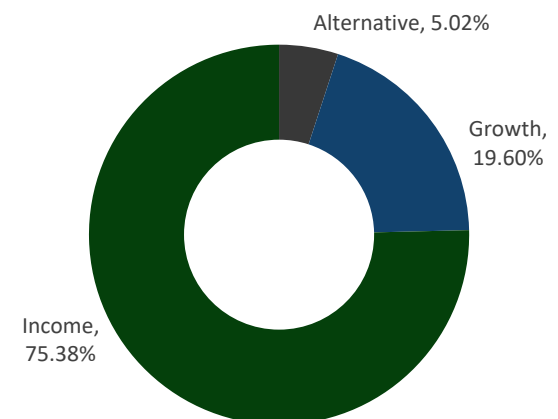
Overview

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	0.26%	0.24%	0.74%	0.63%	1.61%	1.29%	1.50%	0.83%	20.17%	20.00%
NZ Bond Fund	-2.46%	-2.38%	-0.12%	-0.71%	-7.70%	-8.36%	-1.99%	-3.06%	15.05%	15.00%
NZ Corporate Bond Fund	-1.48%	-1.35%	0.33%	0.32%	-5.06%	-4.81%	-0.51%	-0.81%	20.11%	20.00%
Global Bond Fund	-2.82%	-2.67%	-2.20%	-1.73%	-11.59%	-9.97%	-1.53%	-2.27%	20.05%	20.00%
Core Equity Fund	1.44%	0.96%	3.34%	2.70%	-9.35%	-11.62%	4.66%	3.25%	5.01%	5.00%
Property Fund	-0.77%	-0.70%	2.15%	1.88%	-15.28%	-14.89%	0.14%	-1.58%	4.98%	5.00%
Global Shares Funds UnH	-2.94%	-1.49%	0.81%	0.18%	-7.23%	-3.43%	11.32%	9.06%	4.85%	5.00%
Global Shares Fund Hedged	-5.64%	-3.50%	-5.47%	-5.69%	-20.54%	-16.50%	8.23%	7.14%	4.75%	5.00%
Multi-Strategy Alternative	1.64%	0.49%	-0.23%	1.37%	-1.34%	4.33%	3.64%	3.85%	5.02%	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

During August we saw markets reverse some of the gains experienced during July. The exception to this was the NZ equity market which posted a positive return for August. Overall, the general market dynamic remains in some tension between the desire for interest rates to push higher in order to crush demand and the inflationary pressures faced around the world, and the fact that the world needs to adjust to a lower growth, lower consumption period whilst supply side policies repair and improve the damage from border closures, lockdowns and the more recent disruptions from Russia’s invasion of Ukraine. Unsurprisingly, many economies are experiencing ‘inverted’ yield curves on their sovereign debt – in other words rates are higher at the shorter end (acknowledging higher policy rates to deal with inflation), and lower at the longer end (acknowledging the prospect of lower growth over time). Whilst this state of affairs can persist for a considerable period of time, it is not particularly healthy for economies to operate in this way because it doesn’t encourage investors to provide longer term financing, and it’s a tacit admission that things will get worse economically before they get better. On the positive side, acknowledging a problem is the first step to solving it and nothing mentioned above is a surprise to markets and therefore there is a trajectory forward, but consumers (and that generally also means voters in the western democracies) will need to come to terms with the reality of being poorer relative to where they were before the COVID pandemic and war.

Fund Commentary

Losses were experienced in both the income sleeve of the portfolio (both domestic and global bond yields rose thereby reducing the value of the assets held) and global equities. The exception was NZ equities which provided a solid return for the month. Also pleasing was the role of the Multi-strategy Fund (which we use as an alternative defensive portfolio rather than adding more bonds to the fund), where it demonstrated its ability in behaving in an uncorrelated way to bond and equity markets. It is now down just 1.3% over the past 12 months thereby mostly preserving nominal value in difficult market conditions. As has been mentioned on previous occasions in these updates, we specifically hold foreign currency via having a portion of the global shares portfolio unhedged, and this diversification has proved beneficial as the NZ dollar weakened over the month. It’s worth reiterating that this is not due to a particular view on the relative strength/weakness of the NZ dollar, but rather a recognition that this will fluctuate over time and therefore help to smooth the returns from offshore assets and provide a better journey albeit that we expect the end result to be the same.

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 5.3%	Performance fee: Not charged in these funds.	
Buy / Sell spread Click to view	Strategy size \$81m	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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