

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

- Financial markets began 2023 with a significant uplift in value, and investors across a wide range of sectors in property, equities and fixed income markets saw their asset values rise.
- Whilst it is quite likely that volatility in markets will likely be a continuing feature in coming months, it is pleasing that this may be signaling that the markets have found their ‘floor’ and looking for reasons to consolidate in anticipation of future gains.

Fund Highlights

- Every sector of the Fund posted positive returns in January
- All underlying funds, with the exception of the global shares sector, outperformed their respective benchmarks. The ARK fund was the standout performer for the month with a return of over 23% albeit this is off a low base following sharp declines in 2022.
- Equity markets were up 4-5% on average in NZ dollar terms, and investors who hedged their foreign currency exposure further enhanced those gains being protected from the strengthening NZ dollar. Similarly bond markets around the world rallied as interest rates came off their highs in anticipation that central banks may have done enough to deal with the inflation issues.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	3.68%	3.41%	-6.53%	1.27%	4.10%	8.00%
Benchmark ²	3.13%	3.41%	-2.10%	2.57%	4.65%	6.99%
Retail ³	3.10%	2.69%	-6.78%	0.20%		
KiwiSaver ³	3.09%	2.69%	-6.79%	0.23%		

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).

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.



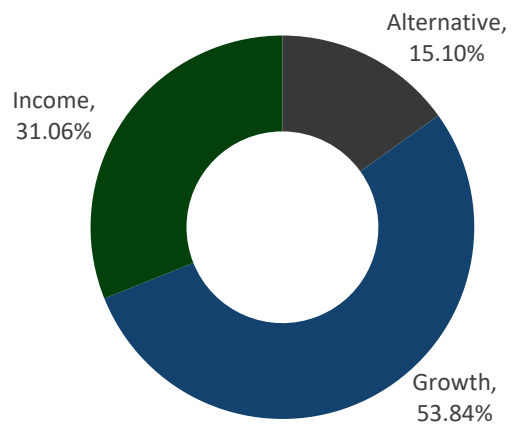
Overview

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	2.46%	1.98%	2.71%	1.57%	-3.43%	-4.48%	-1.51%	-2.67%	10.35%	10.00%
NZ Corporate Bond Fund	2.00%	1.71%	2.58%	2.27%	-1.43%	-1.51%	-0.15%	-0.48%	10.40%	10.00%
Global Bond Fund	2.80%	2.22%	4.73%	3.37%	-8.93%	-8.32%	-1.86%	-2.66%	10.31%	10.00%
Core Equity Fund	4.67%	4.31%	5.95%	5.66%	3.21%	1.49%	2.87%	1.40%	13.16%	12.00%
Concentrated Equity Fund	4.17%	0.75%	3.94%	2.21%	-2.24%	7.53%	3.32%	6.09%	5.65%	5.00%
Property Fund	1.51%	1.44%	0.57%	-0.41%	-15.36%	-16.81%	-4.07%	-5.58%	4.95%	5.00%
Global Shares Funds UnH	2.87%	4.88%	-1.98%	-0.27%	-6.50%	-6.50%	9.23%	6.88%	14.56%	15.00%
Global Shares Funds Hedged	5.38%	7.04%	10.65%	10.55%	-8.36%	-8.88%	7.35%	5.32%	14.00%	15.00%
ARK Fund	23.52%	0.80%	-4.82%	2.41%	-43.45%	10.00%			1.52%	3.00%
Option Fund	5.61%	0.71%	2.97%	2.04%	-27.52%	6.75%	-16.26%	5.25%	4.70%	5.00%
Multi-Strategy Alternative	2.40%	0.63%	2.37%	1.79%	2.44%	5.72%	3.43%	4.24%	10.40%	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

Financial markets began 2023 with a significant uplift in value, and investors across a wide range of sectors in property, equities and fixed income markets saw their asset values rise. The reasons for this are many and varied as is often the case in the financial world, but one key element would be the sense that the interest hiking process is nearing the end and that investors believe that as interest rates stabilise at these levels, valuations across all sectors will stabilise too resulting in more certainty and confidence. However, it is much too early to call an end to the repair process, and whilst we agree that the end of central bank tightening may be close, there are still a number of factors which would lead us to conclude that we are some ways from the start of a new bull market. Whilst it is quite likely that volatility in markets will likely be a continuing feature in coming months, it is pleasing that this may be signalling that the markets have found their 'floor' and looking for reasons to consolidate in anticipation of future gains. Underlying issues around a shortage of labour globally, questions over money supply (especially in the US), geopolitical tensions/war, and stubborn inflation have not disappeared, but as the world continues to open up from the border closures and industry shutdowns, the demand/supply imbalance will slowly improve and both individuals and corporates will re-tune themselves to this higher price, higher interest rate world.

Fund Commentary

Every sector of the Fund posted positive returns in January, and with the exception of the global shares sector, all underlying funds outperformed their respective benchmarks. The ARK fund was the standout performer for the month with a return of over 23% albeit this is off a low base following sharp declines in 2022. Equity markets were up 4-5% on average in NZ dollar terms, and investors who hedged their foreign currency exposure further enhanced those gains being protected from the strengthening NZ dollar. Similarly bond markets around the world rallied as interest rates came off their highs in anticipation that central banks may have done enough to deal with the inflation issues. Our alternative strategies contributed positively to performance with the Option Fund returning over 5% after a difficult period, and the Multi-Strategy fund continues to perform the role it's employed to do in protecting on the down side and participating healthily in the upside so as to smooth overall volatility in the Fund. Not holding cash in the Fund has been a material headwind as markets fell, but in these upswings the Fund benefits from its longer-term positioning.

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 19.15%.

Buy / Sell spread

[Click to view](#)

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.

Performance fee: Not charged in these funds.

Strategy size

\$343.3m

Strategy Launch

April 1994

Compliance

The wholesale fund complied with its investment mandate and trust deed during the quarter, except that an error has been identified in the Option Fund where the value of specific options were incorrectly accounted for in the net asset value of the fund on certain days. We are working through the details and will advise the affected clients when the impact analysis is complete later in January.

Contact Us

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