

Factsheet 31 January 2023

# 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

- 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.
- 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 (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.30%	2.98%	-3.90%	0.60%	3.26%	
Benchmark <sup>2</sup>	2.07%	2.45%	-4.04%	0.11%	2.76%	
Retail <sup>3</sup>	2.01%	2.58%	-4.33%	-0.13%		
KiwiSaver <sup>3</sup>	1.99%	2.55%	-4.33%	-0.15%		

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<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.



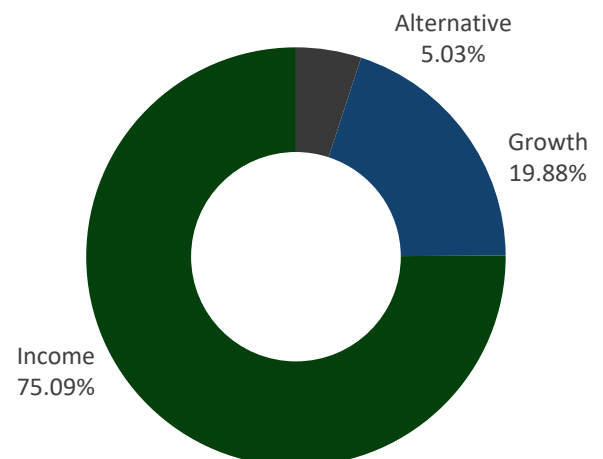
## Overview

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	0.42%	0.38%	1.14%	1.05%	2.96%	2.65%	1.80%	1.20%	20.03%	20.00%
NZ Bond Fund	2.46%	1.98%	2.71%	1.57%	-3.43%	-4.48%	-1.51%	-2.67%	15.03%	15.00%
NZ Corporate Bond Fund	2.00%	1.71%	2.58%	2.27%	-1.43%	-1.51%	-0.15%	-0.48%	20.07%	20.00%
Global Bond Fund	2.80%	2.22%	4.73%	3.37%	-8.93%	-8.32%	-1.86%	-2.66%	19.97%	20.00%
Core Equity Fund	-0.92%	-0.61%	4.06%	3.79%	-10.24%	-11.25%	2.06%	0.64%	5.00%	5.00%
Property Fund	1.51%	1.44%	0.57%	-0.41%	-15.36%	-16.81%	-4.07%	-5.58%	4.91%	5.00%
Global Shares Funds UnH	2.87%	4.88%	-1.98%	-0.27%	-6.50%	-6.50%	9.23%	6.88%	4.88%	5.00%
Global Shares Fund Hedged	5.38%	7.04%	10.65%	10.55%	-8.36%	-8.88%	7.35%	5.32%	5.03%	5.00%
Multi-Strategy Alternative	2.40%	0.63%	2.37%	1.79%	2.44%	5.72%	3.43%	4.24%	5.03%	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

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. 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 strategy via 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. The Fund continues to outperform its benchmarks over the shorter and longer term in large part due to the enduring outperformance of the fixed interest sectors which account for more than half of the Fund’s assets.

Key Fund Facts	
<b>Distributions</b> Generally does not distribute	<b>Estimated annual fund charges (incl. GST)</b> Wholesale: Negotiated outside of fund Retail: 0.71%, refer PDS for more details KiwiSaver: 0.71%, refer PDS for more details. <b>Performance fee:</b> Not charged in these funds.
<b>Hedging</b> Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation. Currently the fund’s foreign currency exposure is 5.54%	<b>Strategy size</b> \$74.4m
<b>Buy / Sell spread</b> <a href="#">Click to view</a>	<b>Strategy Launch</b> August 2016

### Compliance

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

### Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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