

Factsheet 31 March 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

- Q1 has been a good quarter for global equities, although not without volatility – particularly in March. The month started relatively quietly, with equity markets consolidating gains made earlier in the year. Then came the Silicon Valley collapse.
- Bonds finished on a positive note after a volatile quarter and despite considerable uncertainty around economies and inflation as evidenced by how reactive markets have been.
- New Zealand’s balance of payments deficit blew out to its highest level in 34 years, implying the country is living beyond its means and funding consumption from borrowings.

## Fund Highlights

- The fund performed well over month with its defensive nature coming to the fore as risk sentiment took a turn to the south. On the back of SVB’s and Credit Suisse failures investors sought safe-haven assets such as high-grade credit and government bonds.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	1.16%	2.53%	-2.17%	3.02%	3.33%	
Benchmark <sup>2</sup>	1.31%	2.70%	-1.95%	1.90%	2.95%	
Retail <sup>3</sup>	0.77%	2.10%	-3.03%	2.42%	2.56%	
KiwiSaver <sup>3</sup>	0.78%	2.10%	-3.02%	2.41%	2.71%	

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.



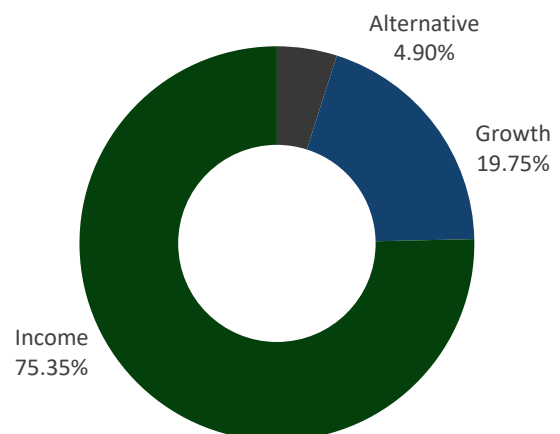
## Overview

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	0.44%	0.41%	1.25%	1.15%	3.65%	3.26%	2.13%	1.37%	20.00%	20.00%
NZ Bond Fund	2.21%	1.90%	3.06%	2.40%	-0.17%	-1.34%	-1.11%	-2.83%	15.11%	15.00%
NZ Corporate Bond Fund	1.59%	1.39%	2.42%	2.20%	1.00%	0.99%	0.39%	-0.22%	20.08%	20.00%
Global Bond Fund	2.32%	2.19%	3.13%	2.67%	-5.01%	-4.79%	-0.84%	-2.37%	20.15%	20.00%
Core Equity Fund	0.75%	0.21%	4.18%	3.89%	-0.07%	-1.02%	8.95%	7.41%	5.00%	5.00%
Property Fund	-1.42%	-1.06%	0.64%	1.99%	-14.69%	-15.08%	5.21%	2.81%	4.94%	5.00%
Global Shares Funds UnH	0.28%	2.08%	4.48%	8.47%	0.83%	2.90%	13.59%	13.31%	4.90%	5.00%
Global Shares Fund Hedged	0.86%	2.66%	2.32%	6.35%	-12.77%	-11.33%	15.40%	14.65%	4.91%	5.00%
Multi-Strategy Alternative	-0.93%	0.66%	1.89%	1.90%	-0.66%	6.35%	4.93%	4.41%	4.90%	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

Q1 has been a good quarter for global equities. Having been down almost 30% at one stage during 2022, the benchmark has now recovered about half of those losses. Q1 was not without volatility, however – particularly in March. The month started relatively quietly, with equity markets consolidating gains made earlier in the year. Then came Silicon Valley Bank (the 16th biggest bank in the US at the time, in terms of consolidated assets) collapse on 10 March. Other regional banks suffered deposit flight consequently, with Signature Bank also failing. Gauges of financial conditions tightened on the announcement of SVB’s failure but quickly loosened again as the Federal Reserve stepped in. Similarly, BBB spreads widened before ending the month relatively unchanged. One of the more lasting impacts of these developments was on interest rate expectations.

Movements in interest rates have been the main driver of returns this year with large fluctuations due to considerable uncertainty around inflation, economic activity and changing expectations for central bank actions. For example, NZ interest rates made new highs early March on the view that central banks would have to hike more and hold rates higher for longer in response to “sticky” inflation. Subsequently rates fell significantly with offshore banking sector concerns and fears for financial stability. From a sector return perspective, the return differential between swap and government bonds has been relatively modest, although longer swaps outperformed governments in March. NZ credit has performed surprisingly well relative to offshore with margins little changed. The retail bid and volume of money looking for a home has been solid, but we are starting to see investors becoming “more picky” especially since bond yields have fallen and look less attractive relative to retail deposit rates.

### Fund Commentary

The fund performed well over month with its defensive nature coming to the fore as risk sentiment took a turn to the south. On the back of SVB’s and Credit Suisse failures investors sought safe-haven assets such as high-grade credit and government bonds. In sympathy with these flows and desire for safety yields of longer dated high quality fixed interest securities fell as markets viewed a future recession and corresponding central bank easing as increasingly probable. Unsurprisingly with this backdrop risk assets fared less well over the month; however, given its defensive nature the fund has low exposure to risk assets. As we move into the year ahead, we expect markets to continue to adjust to a world of higher interest rates, increased recession risk and periods of volatility. Maintaining a bias to quality companies supported by a backbone of highly defensive assets will see the fund through this potentially challenging period.

Key Fund Facts	
<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>
Generally does not distribute	Wholesale: Negotiated outside of fund
	Retail: 0.71%, refer PDS for more details
<b>Hedging</b>	KiwiSaver: 0.71%, refer PDS for more details.
Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation.	<b>Performance fee:</b> Not charged in these funds.
Currently the fund’s foreign currency exposure is 5.4%	
<b>Buy / Sell spread</b>	<b>Strategy size</b>
<a href="#">Click to view</a>	\$70.5m
	<b>Strategy Launch</b>
	August 2016

### Compliance

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

### Contact Us

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

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