

Factsheet 31 May 2023

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

- Generally all asset classes struggled over May.
- Global equity markets continued to grind higher in May, led largely by US equities (up almost 4%) which make up about 60% of the index while European equities declined 2.5%.
- Artificial Intelligence (AI) dominated the market's focus following NVIDIA's first-quarter report that blew away expectations.
- Bond yields reflect the economic uncertainty of the impact of the monetary tightening undertaken.
- Concerns remain over China's slower-than-expected recovery emerging from COVID-19 disruptions.

Fund Highlights

- ARK was the standout performer as Big Tech and AI lead the market.
- Global shares underperformed due to underweight AI and with stock selection which detracted in midcap names.
- In our NZ fixed interest portfolio, it has been a market where more value is added through patience and awaiting opportunities to be active in duration.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	-0.19%	2.23%	1.17%	3.32%	3.90%	7.55%
Benchmark ²	0.00%	2.49%	3.91%	4.00%	4.91%	6.63%
Retail ³	0.01%	1.76%	0.31%	2.59%	3.03%	
KiwiSaver ³	0.01%	1.74%	0.28%	2.60%	3.20%	

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

Stuart Williams is Managing Director of Nikko AM New Zealand, he joined in 2014. He has over 20 years' experience across all aspects of investment management. Stuart has extensive experience in conducting detailed research and developing investment recommendations on listed companies in both New Zealand and Australia. He holds a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant.



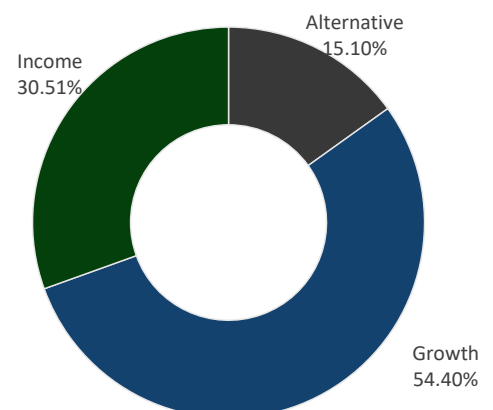
Overview

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	-0.27%	-0.46%	2.91%	2.41%	2.42%	0.89%	-2.44%	-3.53%	10.18%	10.00%
NZ Corporate Bond Fund	0.09%	0.03%	2.46%	2.19%	2.93%	2.77%	-0.86%	-0.97%	10.21%	10.00%
Global Bond Fund	-0.31%	-0.41%	2.59%	2.29%	-1.25%	-1.77%	-2.36%	-2.95%	10.12%	10.00%
Core Equity Fund	-0.70%	-1.68%	1.71%	-0.36%	7.65%	5.36%	5.53%	3.52%	12.34%	12.00%
Concentrated Equity Fund	0.66%	0.84%	4.21%	2.45%	5.21%	8.76%	5.62%	6.55%	5.27%	5.00%
Property Fund	-0.14%	-0.62%	-1.15%	-1.57%	-5.32%	-6.36%	2.23%	0.37%	5.04%	5.00%
Global Shares Funds UnH	0.10%	1.95%	5.22%	6.93%	7.19%	9.53%	11.38%	11.27%	15.70%	15.00%
Global Shares Funds Hdged	-3.06%	-1.03%	0.36%	2.54%	-4.37%	-2.31%	8.79%	8.97%	14.27%	15.00%
ARK Fund	15.30%	0.80%	6.77%	2.41%	0.66%	10.00%			1.77%	3.00%
Option Fund	1.68%	0.79%	3.73%	2.28%	-13.91%	8.06%	-5.97%	5.70%	4.93%	5.00%
Multi-Strategy Alternative	0.45%	0.71%	-0.62%	2.03%	2.12%	7.02%	4.03%	4.69%	10.16%	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

May was generally a struggle across asset classes, particularly equities. The key question remains how much economic pain is already in the pipeline because of the monetary tightening undertaken. Although the pace of further rate hikes looks likely to moderate (or even stop), measures of money supply in the US continue to show a marked contraction (with M2 down 4.6% year-on-year in April's reading). Bond yields also reflect this uncertainty, with the yield on US 10-year debt hovering in a relatively tight range. Equity markets continued to grind higher in May, led once again by the sectors that drove gains seen in Q1. Market leadership has continued to narrow, with the technology sector powering ahead as excitement built around Artificial Intelligence and its potential applications. Mega cap stocks once again significantly outperformed small and midsize peers during the month as a result.

The economic picture looks less encouraging in other parts of the world. China is causing increasing concern as the country's economy has emerged from the disruption caused by COVID-19 more slowly than many had expected. There have been no major stimulus packages announced by the central Government and confidence in the country's crucial property sector remains fragile – as evidenced by the continuing decline in land sales. Consumer confidence has risen off the lows seen during 2022 but remains well below levels seen for much of the previous decade.

Fund Commentary

It was a mixed month for performance across the sectors resulting in a modestly negative return for the month. The standout positive for May was contribution from ARK. Relative to the MSCI World Index, the Technology, Communication Services, and Consumer Discretionary sectors outperformed in May, while the Energy, Materials, and Consumer Staples sectors lagged. Some of the largest beneficiaries of the rotation to cyclicals, Energy and Financial Services, could be disrupted significantly during the next five years. In ARK's view, autonomous electric vehicles and digital wallets, including blockchain technologies, cryptocurrencies, and decentralized financial services (DeFi), will disrupt and disintermediate both Energy and Financial Services. NZ equities outperformed their benchmarks with the core holding modestly negative and the Concentrated Fund was modestly positive, in absolute terms. Global shares underperformed the strong MSCI return, driven by a combination of underexposure to Big Tech and AI, no exposure to a small group of outperforming European luxury stocks and with stock selection which detracted in midcap names across various sectors.

The income related sectors, except for NZ cash which returned a positive return in excess of the benchmark, were muted. In NZ fixed interest for example, it has been a market where more value is added through patience and awaiting opportunities to be active in duration rather than a long-term macro 'set and forget' view. Uncertainty around inflation and central bank action has seen rates moving around in a reasonably wide range from month-to-month. In uncertain times we generally keep positioning modest relative to benchmark.

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 19.2%.

Strategy Launch

April 1994

Strategy size

\$330.5m

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.

Compliance

The wholesale fund complied with its investment mandate and trust deed during the month. www.nikkoam.co.nz | nzenquiries@nikkoam.com

Contact Us

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