

Factsheet 30 June 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

- Q2 was generally a strong period for investment markets in aggregate.
- Global equity markets moved higher as did bond markets despite the Federal Reserve pausing their rate rises.
- Many central banks continue to lift rates in response to inflation, which remains a challenge in many countries.
- Artificial Intelligence (AI) and tech generally remains in the market's focus and is a key to understanding market performance.
- China has continued to deliver weaker than expected economic performance and stimulus from the Central Government.

Fund Highlights

- The fund was slightly ahead of benchmark over the quarter.
- ARK was the standout performer as Big Tech and AI lead the market.
- Global shares performed strongly in absolute terms for the quarter, while Australasia shares were nicely positive.
- In our NZ fixed interest portfolio, value is added through patience and awaiting opportunities to be active in duration management.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale ¹	1.59%	3.11%	6.29%	3.05%	3.93%	7.83%
Benchmark ²	1.70%	2.79%	8.32%	4.17%	5.09%	6.89%
Retail ³	1.49%	3.46%	5.21%	2.38%	3.16%	
KiwiSaver ³	1.49%	3.45%	5.18%	2.39%	3.30%	

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.



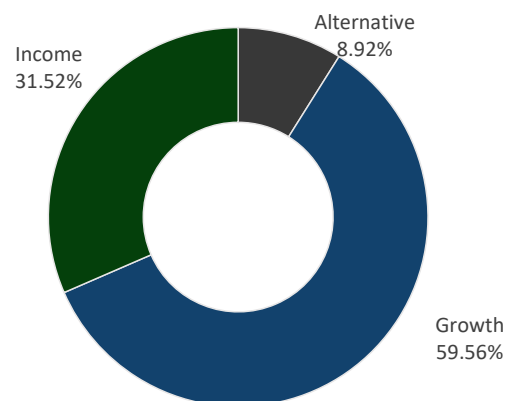
Overview

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	-0.79%	-1.07%	-0.11%	-0.58%	2.11%	0.47%	-2.67%	-3.78%	10.48%	10.00%
NZ Corporate Bond Fund	-0.24%	-0.10%	0.61%	0.68%	2.96%	2.73%	-1.09%	-1.12%	10.52%	10.00%
Global Bond Fund	-0.08%	-0.04%	0.19%	0.06%	1.35%	-0.26%	-2.80%	-3.12%	10.52%	10.00%
Core Equity Fund	0.82%	0.93%	1.78%	0.37%	12.58%	10.57%	4.07%	2.08%	12.86%	12.00%
Concentrated Equity Fund	1.57%	0.82%	5.09%	2.48%	11.71%	9.05%	5.19%	6.70%	5.51%	5.00%
Property Fund	3.41%	3.77%	3.68%	3.23%	0.89%	-0.14%	2.82%	1.64%	5.40%	5.00%
Global Shares Funds UnHdg	2.96%	3.51%	8.03%	8.43%	13.65%	18.26%	11.90%	12.84%	16.66%	15.00%
Global Shares Funds Hdged	4.91%	5.43%	4.40%	5.32%	8.97%	13.24%	8.47%	9.40%	15.80%	15.00%
ARK Fund	7.09%	0.80%	12.70%	2.41%	13.92%	10.00%			3.33%	3.00%
Option Fund	0.54%	0.79%	5.39%	2.33%	-7.75%	8.37%	-6.03%	5.86%	0.00%	5.00%
Multi-Strategy Alternative	2.26%	0.71%	2.58%	2.08%	6.03%	7.33%	4.81%	4.84%	8.92%	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

The June quarter ended with perhaps more confidence that the worst is behind us in terms of monetary tightening as the pace of further rate hikes looks likely to moderate (or even stop) for many markets. The monetary tightening which has been applied appears to be taking effect. As we move in the second half of 2023 the debate should focus on the shape of the slowdown and which economies can glide into a soft landing. Bond yields have moved higher (sold off) to levels which fairly reflect medium term growth, plus inflation, plus risk premiums in most developed markets. Equity markets, with the exception of the UK, find themselves sitting on strong June quarter and YTD gains led by the sectors that drove gains 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 over the YTD. The economic picture is mixed by region or country as co-ordinated monetary policy gives way to nuanced policy and rhetoric as is required given the dispirit approaches and consequences caused by COVID-19. With exception of the war in Ukraine, geo-political tensions have eased. Economically the United States is landing nicely, but we remain concerned and on watch regarding economic developments in China. Recent developments in Europe have not been particularly positive either. Germany's IFO Business Expectations survey came in weaker than expected this month, as did the country's factory orders and retail sales. Economic performance in France continues to look better than the Eurozone's other big economy but is not strong enough to offset the weakness in its larger neighbour.

Fund Commentary

It was a mostly positive quarter for performance across the fund's sectors meaning aggregate fund performance was strong; growth allocations drove absolute performance and income assets took a breather. The standout positive for the quarter was contribution from ARK. Relative to the MSCI World Index, the Consumer Discretionary, Industrials, and Materials sectors outperformed in June, while the Utilities, Communication Services, and Consumer Staples sectors lagged, but still had positive performance. 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 Fund and the Concentrated Fund delivering positive absolute and relative returns. Global shares modestly underperformed the strong MSCI return, which is pleasing in a period where the fund's underexposure to Big Tech and AI along with no exposure to a small group of outperforming European luxury stocks were headwinds, meaning stock selection did the heavy lifting.

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 management 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 22.65%.

Strategy Launch
April 1994

Strategy size
\$334.1m

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 quarter. www.nikkoam.co.nz | nzenquiries@nikkoam.com

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