

Nikko AM Balanced Strategy

Monthly Update 29 February 2024

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

- Global equity markets continued their recent run of strong performance over February.
- Global bonds also continued their recent trend, with yields moving higher on expectations central banks will not cut rates as aggressively as markets priced in at the end of 2023.
- The MSCI ACWI (NZD Hedged) was up 4.7% and closed at another record high, as did the leading indexes in USA, Japan and Europe.
- The Bloomberg Global Agg Index (NZD Hedged) was down -0.7% for February, a second month of negative performance.

Fund Highlights

- February fund performance was strong in terms of both absolute return and relative returns, with global share markets continuing to move higher.
- The ARK Disruptive Innovation strategy was up double digits for the month.
- Outperformance from the global shares portfolio was driven by positive stock selection in a range of sectors including Info Tech & Financials.
- The NZ equity funds within the portfolio continued their solid start for the year, outperforming the NZX50 Index.
- Local and global bond Funds were in line with, or slightly behind, their respective benchmarks.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale¹	2.59%	7.72%	11.11%	1.69%	5.06%	7.61%
Benchmark²	1.28%	5.15%	10.47%	3.94%	5.62%	6.86%
Retail³	1.93%	7.17%	9.72%	0.81%	4.22%	
KiwiSaver³	1.93%	7.17%	9.71%	0.81%	4.30%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any). 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). Based on change in unit price.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Portfolio Manager

Alan Clarke,
Portfolio Manager



Responsible for providing overall management of the diversified funds and for managing external investment managers. Alan has over 20 years' experience in investment management as both an analyst and portfolio manager. Prior to starting at Nikko AM, Alan spent 17 years at ANZ Investments and has also held roles at Theta Capital Management in Amsterdam and Morley Asset Management in London. Joined in 2023.

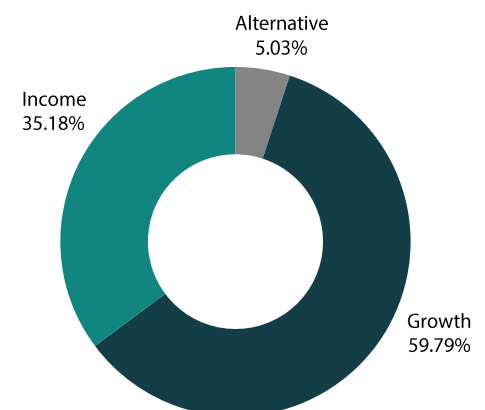
Overview

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 Cash Fund	0.50%	0.45%	1.56%	1.41%	6.31%	5.65%	3.48%	3.01%	4.64%	5.00%
NZ Bond Fund	-0.26%	-0.24%	2.29%	1.97%	6.13%	4.77%	-0.57%	-1.48%	11.94%	12.00%
NZ Corporate Bond Fund	-0.14%	-0.05%	2.25%	1.80%	7.14%	6.48%	0.67%	0.47%	7.84%	8.00%
Global Bond Fund	-0.95%	-0.70%	2.49%	2.16%	6.41%	5.12%	-1.71%	-2.04%	10.76%	11.00%
Core Equity Fund	-0.51%	-1.05%	4.93%	3.75%	2.51%	-0.35%	2.08%	-0.55%	12.89%	13.00%
Concentrated Equity Fund	2.81%	0.80%	9.12%	2.52%	10.40%	10.42%	4.11%	7.86%	5.07%	5.00%
Property Fund	-3.44%	-3.43%	3.63%	3.31%	-0.46%	-0.59%	-4.11%	-4.59%	5.83%	6.00%
Global Shares Funds Unhedged	7.75%	5.37%	16.46%	11.46%	23.38%	25.23%	11.15%	13.28%	16.57%	16.00%
Global Shares Funds Hedged	7.07%	4.73%	15.22%	10.32%	19.86%	21.96%	3.36%	5.26%	16.38%	16.00%
ARK Fund	12.25%	0.80%	12.30%	2.41%	33.51%	10.00%	-20.52%	10.00%	3.04%	3.00%
Multi-Strategy Alternative	2.26%	0.70%	4.07%	2.16%	6.51%	8.81%	1.41%	6.09%	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.

Market Commentary

Global equity markets continued their recent run of strong performance over February. The MSCI ACWI (NZD Hedged) was up 4.7% and closed at another record high, as did the leading indexes in USA, Japan and Europe. One departure from recent months was China and Hong Kong equities which also posted very strong gains, outperforming most other markets after disappointing results over 2023. Global bonds also continued their recent trend, with yields moving higher on expectations central banks will not cut rates as aggressively as markets priced in at the end of 2023. The Bloomberg Global Agg Index (NZD Hedged) was down -0.7% for February, a second month of negative performance on the back of the very strong returns posted over the last two months of 2023. Global investment grade (IG) spreads tightened by 4bps while US HY spreads narrowed by 32bps. In equities, the MSCI ACWI Index (NZD unhedged) was up 5.4% for February, benefiting from a slightly weaker Kiwi dollar which was down 0.5 % versus the USD.

Some of the more economically sensitive sectors posted the strongest gains over February. Consumer discretionary was up nearly 8% to lead the pack, and Industrials was up 5.7%. Information Technology continued its incredibly strong performance, advancing 6.1%. Defensive and/or interest rate sensitive sectors such as Consumer Staples (+0.4%), Utilities (-0.8%), and Real Estate (1.5%) were the laggards for the month. On a regional basis (all returns in local currency) China was the best performer, up 9.4%, with Hong Kongs Hang Seng Index up 6.6%. Japan had another strong month (+7.9%) and is the best performing region by far on a year-to-date basis, as did the US (S&P500 Index up 5.2%) and Europe (Euro Stoxx50 Index up 4.9%). The NZ, Australia and UK markets were laggards over February, returning -1.1%, 0.2% and 0.0% respectively. On the economic front, the US economy continued to hold up well, with labour market data suggesting ongoing resilience and January PMI surveys positive. It was more mixed in Europe, annual inflation fell to 2.6% YoY and there were positive readings for the services sector, but manufacturing activity remained below par.

Fund Commentary

February fund performance was strong in terms of both absolute return and relative returns, with global share markets continuing to move higher. Global shares were the main contributor for both absolute and relative returns, as well as the ARK Disruptive Innovation strategy which was up double digits for the month. Outperformance from the global shares portfolio was driven by positive stock selection in a range of sectors including Info Tech (Nvidia), Communications Services (Meta), and Financials (Palomar and Ryan Speciality). There was some weakness from the consumer discretionary names across the portfolio, with Sony Group, Amadeus IT, Compass and Bookings.com all underperforming the broader market. The ARK Fund was up strongly over February. The top contributors include Coinbase and Robinhood. On the back of crypto asset appreciation and volatility, Coinbase reported 50% year-over-year growth in net revenue for the fourth quarter of 2023. Robinhood reported strong fourth quarter earnings ahead of Wall Street estimates. The top detractors include Roku and Teladoc after fourth-quarter earnings reports came out below expectations. Roku was also impacted by news of Walmart acquiring connected TV competitor, Vizio. The NZ equity funds within the portfolio continued their solid start for the year, outperforming the NZX50 Index. Strong performance from NextDC, Ingenia Communities and Fisher & Paykel Healthcare were key drivers. Local and global bond Funds were in line with, or slightly behind, their respective benchmarks.

Key Fund Facts

Estimated annual fund charges (incl. GST):		Distributions:	Generally does not distribute	Strategy Launch:	April 1994
Wholesale:	Negotiated outside of the unit price	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 22.7%.	Strategy size:	\$284.1m
Retail:	0.94%, refer PDS for more details			Buy / Sell spread:	0.09% / 0.09%
KiwiSaver:	0.94%, refer PDS for more details.				
Performance Fee:	Not charged in this fund				

Compliance

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

Contact Us

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