

# Nikko AM Balanced Strategy

Monthly Update 30 June 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 performed strongly for a second straight month in June, to close what began as a volatile quarter on a positive note.
- Bond markets also posted a second straight month of gains after a difficult start to the year where interest rates moved higher as expectations for major central banks to start cutting rates were pushed back to later in 2024.
- The main economic development data was an improvement in the inflation data indicating that disinflation is resuming its course in the US, UK, and Europe.

## Fund Highlights

- The Balanced Fund registered a small fall in the second quarter of 2024, with relative returns behind that of the benchmark.
- The Global Share Fund was slightly ahead of benchmark for the quarter. Names that have benefited from the huge amount of interest in AI infrastructure continued to do well.
- The local equity and property funds were weak over the quarter on an absolute basis, but pleasingly outperformed their relevant market indices.
- Both the NZ and global bond portfolios added value over both the month and the quarter.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
<b>Wholesale<sup>1</sup></b>	1.61%	-0.16%	9.67%	0.84%	4.39%	7.62%
<b>Benchmark<sup>2</sup></b>	0.97%	0.36%	8.99%	3.47%	5.22%	6.89%
<b>Retail<sup>3</sup></b>	1.66%	-0.13%	9.15%	0.11%	3.60%	
<b>KiwiSaver<sup>3</sup></b>	1.64%	-0.19%	9.10%	0.09%	3.63%	

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<sup>1,2</sup>



## 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.

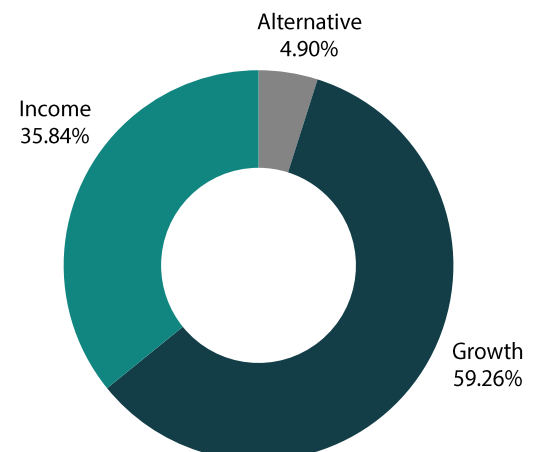
## Overview

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
<b>NZ Cash Fund</b>	0.50%	0.46%	1.58%	1.40%	6.49%	5.79%	4.11%	3.62%	4.95%	5.00%
<b>NZ Bond Fund</b>	1.35%	0.98%	1.18%	0.80%	6.57%	5.39%	0.00%	-1.08%	11.96%	12.00%
<b>NZ Corporate Bond Fund</b>	1.13%	0.89%	1.33%	1.18%	7.56%	6.59%	1.35%	1.08%	7.95%	8.00%
<b>Global Bond Fund</b>	1.04%	0.87%	0.31%	0.08%	5.38%	3.82%	-1.60%	-1.91%	10.97%	11.00%
<b>Core Equity Fund</b>	-0.90%	-1.19%	-2.57%	-3.13%	0.43%	-0.83%	0.25%	-1.74%	12.65%	13.00%
<b>Concentrated Equity Fund</b>	-0.24%	0.82%	-3.15%	2.52%	4.50%	10.53%	0.33%	8.45%	4.88%	5.00%
<b>Property Fund</b>	-2.96%	-3.13%	-7.96%	-8.55%	-6.89%	-7.57%	-6.84%	-7.10%	5.71%	6.00%
<b>Global Shares Funds Unhedged</b>	4.64%	3.07%	1.41%	0.98%	22.17%	20.02%	9.32%	10.35%	16.47%	16.00%
<b>Global Shares Funds Hedged</b>	4.01%	2.60%	3.43%	3.46%	22.54%	20.76%	3.25%	4.52%	16.61%	16.00%
<b>ARK Fund</b>	4.43%	0.80%	-9.95%	2.41%	5.18%	10.00%	-24.11%	10.00%	2.95%	3.00%
<b>Multi-Strategy Alternative</b>	-0.03%	0.71%	-0.44%	2.15%	6.31%	8.95%	2.50%	6.72%	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

Global equity markets performed strongly for a second straight month in June, to close what began as a volatile quarter on a positive note. This capped off a third straight strong quarter for global equity markets which rallied consistently from the sell-off in October 2023, with only a brief and shallow pull-back in April. Bond markets also posted a second straight month of gains after a difficult start to the year where interest rates moved higher as expectations for major central banks to start cutting rates were pushed back to later in 2024. In June market focus returned to central bank easing, and four major central banks have started to cut rates (European Central Bank, Riksbank, Swiss National Bank and Bank of Canada). The Bloomberg Global Agg Index (NZD Hedged) returned 0.9% for June, and 0.1% for the second quarter. By contrast the MSCI ACWI Index (NZD Hedged) was up 2.6% for June and 3.5% for the quarter. The Kiwi was higher over the quarter versus most of the majors, so returns were muted for unhedged investors, up 3.1% for the month and only 1.0% for the quarter. Closer to home NZ equities were weak in June (-1.2%) and over the second quarter (-3.1%).

The main economic development data was an improvement in the inflation data indicating that disinflation is resuming its course in the US, UK, and Europe. Japan remains an exception, potentially facing a new inflationary wave due to currency depreciation. Geopolitics also remained to the fore last quarter. France saw the unexpected announcement of a snap legislative election in France. The uncertainty this caused led to a sharp widening in the spread between 10-year French and German government bond yields, with spreads moving out to levels not seen since the 2011 European Debt crisis. Information technology (+11.2%) continued its leadership role over the quarter, with Communications Services (7.7%) not far behind. The second quarter was yet another example of very narrow breadth in the equity market advance, where a large proportion of the gains were driven by these two sectors alone. Utilities was the only other sector to advance. As well as US equity markets, UK (+2.7%) and Hong Kong (+7.1%) performed well over the second quarter. Emerging markets also had one of its best quarters for a while (+6.2%) despite weakness in Chinese stocks.

## Fund Commentary

The Balanced Fund registered a small fall in the second quarter of 2024, with relative returns behind that of the benchmark. The ARK fund was the main detractor over the quarter (-10%) but the strategy did post a solid +4.4% return in June with names including Tesla, Palantir and Roblox rallying. The Global Share Fund was slightly ahead of benchmark for the quarter. Names that have benefited from the huge amount of interest in AI infrastructure continued to do well, and the portfolios positioning in Nvidia, Taiwan Semiconductor and Broadcom benefited from these names performing strongly. Companies in the more traditional sectors of finance, Consumer and Energy were the main detractors, led by PT Bank Mandiri, Samsonite and Schlumberger. The local equity and property funds were weak over the quarter on an absolute basis, but pleasingly outperformed their relevant market indices. Both the NZ and global bond portfolios added value over both the month and the quarter, with 1-year numbers also comfortably ahead of benchmark. The New Zealand bond funds increased their overweight to duration as interest rates moved higher in April, and this positioning was rewarded in May and June when they fell back to near where they began. The main positive drivers of relative return for the global bond fund were country and corporate bond selection, while the overweight to US duration detracted.

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST):</b>		<b>Distributions:</b>	Generally does not distribute	<b>Strategy Launch:</b>	April 1994
<b>Wholesale:</b>	Negotiated outside of the unit price	<b>Hedging:</b>	Currency hedging contracts, if any, are held in the sector funds listed in the asset allocation.	<b>Strategy size:</b>	\$77.8m
<b>Retail:</b>	0.94%, refer PDS for more details		Currently the fund's foreign currency exposure is 22.2%.	<b>Buy / Sell spread:</b>	0.09% / 0.09%
<b>KiwiSaver:</b>	0.94%, refer PDS for more details.				
<b>Performance Fee:</b>	Not charged in this fund				

## Compliance

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

## Contact Us

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