

# Nikko AM Balanced Strategy

Monthly Update 30 September 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

- The US Federal Reserve kicked off their much-anticipated rate-cutting with a 0.5% cut. The European, Swedish and Swiss central banks also cut rates.
- A new policy stimulus package from the People’s Bank of China included support for the local property market, and liquidity provisions to support lending and stabilize the property market and broader equity markets.
- Interest rate sensitive sectors such as Real Estate (+16.1%) and Utilities (+15.9%) led the way over the third quarter.
- The US, NZ and Australian equity markets returned around 6% for the quarter, while the UK (+0.9%) and Japan (-4.2%) underperformed the broader market.

## Fund Highlights

- The Balanced Fund registered a strong gain of 4.2% in the third quarter of 2024, in line with the return of the benchmark.
- The Property Fund was the standout performer for the quarter in absolute (9.7%), partially on expectations of interest rates cuts to come from the RBNZ.
- The local equity funds posted solid returns over the quarter on an absolute basis.
- Both the NZ and global bond portfolios added value over the quarter.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
<b>Wholesale<sup>1</sup></b>	0.65%	4.15%	17.66%	1.95%	4.95%	7.60%
<b>Benchmark<sup>2</sup></b>	0.58%	4.14%	15.29%	4.56%	5.52%	6.93%
<b>Retail<sup>3</sup></b>	1.01%	3.96%	16.80%	1.17%	4.17%	
<b>KiwiSaver<sup>3</sup></b>	0.99%	3.90%	16.66%	1.13%	4.16%	

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. Alan joined Nikko 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>	0.51%	0.45%	1.61%	1.42%	6.52%	5.79%	4.60%	4.07%	4.94%	5.00%
<b>NZ Bond Fund</b>	0.70%	0.63%	4.43%	3.89%	13.38%	11.29%	1.75%	0.58%	11.81%	11.00%
<b>NZ Corporate Bond Fund</b>	0.93%	1.00%	4.25%	4.05%	12.61%	10.99%	3.05%	2.78%	5.48%	5.50%
<b>Global Bond Fund</b>	1.24%	1.14%	4.65%	4.22%	12.06%	10.20%	-0.23%	-0.57%	16.38%	16.50%
<b>Core Equity Fund</b>	0.71%	0.05%	5.72%	6.37%	11.45%	10.84%	0.09%	-1.37%	12.33%	8.50%
<b>Concentrated Equity Fund</b>	0.96%	0.81%	4.19%	2.52%	13.38%	10.50%	0.06%	8.88%	4.81%	8.50%
<b>Property Fund</b>	-3.70%	-4.34%	9.65%	8.43%	7.64%	5.83%	-5.20%	-5.58%	5.68%	6.00%
<b>Global Equity Unhedged Fund</b>	0.10%	0.62%	0.79%	2.11%	28.71%	24.42%	14.33%	11.04%	19.01%	19.50%
<b>Global Equity Hedged Fund</b>	1.17%	1.92%	3.92%	4.84%	34.42%	29.69%	9.92%	6.42%	19.56%	19.50%

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 and global bond markets performed strongly for a fifth straight month in September. Over the last 12 months, only October 2023 and April 2024 saw 'risk-off' months where equity markets pulled back. After a difficult start to the year, global bonds (hedged to NZD) have returned nearly 5% year-to-date. Central banks easing monetary policy began in the first half of the year, and this trend continued over the last three months. The US Federal Reserve kicked off their much-anticipated rate-cutting with a 0.5% cut. The European, Swedish and Swiss central banks also cut rates. The Bloomberg Global Agg Index (NZD Hedged) returned 1.1% for September, and 4.0% for the third quarter. By contrast the MSCI ACWI Index (NZD Hedged) was up 1.6% for September and 5.5% for the quarter. The Kiwi was higher over the month versus most of the majors, so monthly returns were negative for unhedged investors, down -2.7% for the month, but up 4.6% for the quarter. Closer to home NZ equities were up in both June (0.4%) and over the third quarter (5.1%).

The key pieces of economic data in the third quarter were US labour market metrics showing a weaker trend in some areas. This may have been a factor in the US Fed's decision to cut by 50pts to launch their easing campaign. The more recent employment data has actually strengthened again, with the September jobs report coming in well ahead of consensus. The other key piece of news was a new policy stimulus package from the People's Bank of China and regulators. This included support for the local property market, and liquidity provisions to support lending and stabilize the property market and broader equity markets.

The returns across the various sectors were very different to previous quarters where growth-focused sectors like Information Technology and Communication Services have dominated. Interest rate sensitive sectors such as Real Estate (+16.1%) and Utilities (+15.9%) led the way over the third quarter. Industrials, Consumer (staples and discretionary), Materials and Financials all returned around 9%, while Energy (-3.1%) and IT (0.9%) were the laggards. On a regional basis the Chinese (+16.1%) and Hong Kong (+19.3%) markets outperformed all others by some distance following the announcement of the policy aimed at bolstering China's economy and stock market. The US, NZ and Australian equity markets returned around 6% for the quarter, while the UK (+0.9%) and Japan (-4.2%) underperformed the broader market.

## Fund Commentary

The Balanced Fund registered a strong gain of 4.2% in the third quarter of 2024, in line with the return of the benchmark.

The Global Share Fund was comfortably ahead of the benchmark for the quarter. The key contributors were from a broad range of sectors with Haleon (consumer staples), TransUnion (industrials) and Hoya Corp (healthcare) all performing well. This was driven by either their recent earnings report or improved forward guidance. The main detractors were also a mixed bunch, with Synopsys (IT), Elevance Health (healthcare) and SLB (energy) all detracting from relative performance. The local equity funds posted solid returns over the quarter on an absolute basis, but underperformed their relevant market indices. The Property Fund was the standout performer for the quarter in absolute (9.7%), partially on expectations of interest rates to come from the RBNZ. The Property Fund also did well in relative terms with strong performance from Waypoint REIT and Stride Property. Both the NZ and Global Bond funds added value over the quarter, with 1-year numbers also strongly ahead of benchmark. The New Zealand bond funds had been well positioned for a fall in interest rates, but also added value being underweight government bonds which underperformed swaps for the quarter. The Global Bond Fund added value through duration and curve positioning, as well as from the overweight to asset and mortgage-backed securities. Security selection in emerging market debt was a detractor over the quarter.

## 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. Currently the fund's foreign currency exposure is 22.1%.	<b>Strategy size:</b>	\$87m
<b>Retail:</b>	0.94%, refer PDS for more details				
<b>KiwiSaver:</b>	0.94%, refer PDS for more details.			<b>Buy / Sell spread:</b>	<a href="#">0.09% / 0.09%</a>
<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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