

# Nikko AM Balanced Strategy

Monthly Update 31 December 2024

Assets are held in the Nikko AM Wholesale NZ Balanced Fund. The Nikko AM Balanced Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM Balanced Fund invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Central banks continued to lower short term interest rates, but unusually for rate-cutting cycles, the long end of the curve has moved higher in some countries/regions.
- The fourth quarter saw a resumption of the trend of the last couple of years whereby the growth-focused sectors like Communication Services and Information Technology have dominated.
- Closer to home NZ equities were up in both December (0.4%) and over the fourth quarter (5.6%).
- The Kiwi fell sharply over the month and the quarter, versus the USD in particular.

## Fund Highlights

- The fund registered a strong gain of 3.9% in the fourth quarter of 2024, ahead of the return of the benchmark.
- The unhedged Global Equity Fund was far-and-away the best performing fund for the quarter due mostly to the sharp fall in the NZD, particularly versus the US Dollar.
- The local equity funds posted strong returns over the quarter on an absolute basis. Arcadium Lithium (+94% for the quarter) was the largest contributor following a takeover bid from Rio Tinto at U\$5.85 per share.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
<b>Wholesale<sup>1</sup></b>	-0.56%	3.89%	15.40%	2.84%	5.15%	7.71%
<b>Benchmark<sup>2</sup></b>	0.20%	3.46%	13.19%	5.14%	5.81%	7.01%
<b>Retail<sup>3</sup></b>	-0.68%	3.27%	14.07%	1.99%	4.26%	
<b>KiwiSaver<sup>3</sup></b>	-0.70%	3.23%	13.88%	1.93%	4.24%	

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>	0.44%	0.37%	1.38%	1.21%	6.25%	5.55%	4.98%	4.43%	4.68%	5.00%
<b>NZ Bond Fund</b>	0.83%	0.61%	0.65%	0.67%	6.62%	5.69%	2.50%	1.38%	10.99%	11.00%
<b>NZ Corporate Bond Fund</b>	1.08%	1.06%	1.12%	1.25%	7.68%	7.39%	3.95%	3.65%	5.51%	5.50%
<b>Global Bond Fund</b>	-1.06%	-0.88%	-1.33%	-1.20%	3.79%	3.03%	-0.65%	-1.04%	16.20%	16.50%
<b>Core Equity Fund</b>	0.92%	0.40%	6.07%	5.62%	13.49%	12.24%	2.34%	1.03%	8.75%	8.50%
<b>Concentrated Equity Fund</b>	-0.61%	0.75%	4.70%	2.34%	13.92%	10.27%	2.17%	9.23%	8.65%	8.50%
<b>Property Fund</b>	-2.65%	-2.49%	-2.08%	-1.77%	-1.15%	-2.67%	-6.25%	-6.77%	6.01%	6.00%
<b>Global Equity Unhedged Fund</b>	1.40%	3.09%	14.09%	12.44%	39.56%	32.78%	16.49%	12.72%	19.82%	19.50%
<b>Global Equity Hedged Fund</b>	-3.73%	-1.66%	1.94%	1.23%	24.73%	20.52%	7.94%	4.64%	19.39%	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 finished off 2024 with a weak month to close out what was a spectacular and a solid year for equities and bonds respectively. After a difficult start to the year, global bonds (hedged to NZD) have returned just over 3% for the year. Central banks continued to lower short term interest rates, but unusually for rate-cutting cycles, the long end of the curve has moved higher in some countries/regions. For example, in the US, the 10-year bond yield has moved from below 3.7% to over 4.5% since the Federal Reserve kicked off their much-anticipated rate-cuts in September. The Bloomberg Global Agg Index (NZD Hedged) was down -0.9% for December, and down -1.2% for the fourth quarter. The MSCI ACWI Index (NZD Hedged) was down -2.1% for December and up 1.2% for the quarter. The Kiwi fell sharply over the month and the quarter, versus the USD in particular, so returns for unhedged investors in global equities were strong, up 3.1% for the month, and 12.4% for the quarter. Closer to home NZ equities were up in both December (0.4%) and over the fourth quarter (5.6%).

The US election took centre stage over the fourth quarter with the decisive win for the Republican party being well received by the US equity market in particular where November returns were strong. Uncertainty on the extent new global trade or tariff policies might be rolled out by the incoming Trump administration was reflected in some weakness in non-US markets.

The fourth quarter saw a resumption of the trend of the last couple of years whereby the growth-focused sectors like Communication Services (+4.6% for the quarter in USD terms) and Information Technology (+4.2%) have dominated. Consumer discretionary was the strongest sector, advancing 5.3%. Materials (-15.2%) was the weakest sector, with Healthcare, Utilities and Real Estate all falling around 10% over the last 3 months of 2024. On a regional basis the New Zealand and Japanese markets closed the year with a strong quarter, both up over 5%. Japan equities were up 19.2% for the year, behind only the tech-heavy US market. New Zealand equities returned over 11% for the year, ahead of the likes of Australia, the UK and Europe where high single digits gains were posted.

## Fund Commentary

The fund registered a strong gain of 3.9% in the fourth quarter of 2024, ahead of the return of the benchmark.

The unhedged Global Equity Fund was far-and-away the best performing fund for the quarter due mostly to the sharp fall in the NZD, particularly versus the US Dollar. The Global Multi-Manager Equity Fund was comfortably ahead of the benchmark for the quarter with the two growth-focused managers out-performing. WCM ('growth' style) was the standout underlying manager, outperforming the benchmark by 8.9% over the fourth quarter and by 16% for 2024. Mobile technology company AppLovin was up nearly 150% for the quarter, and there were also strong returns from Amazon (Consumer Discretionary), GE Verona (energy equipment manufacturing and services) and LPL Financial (US broker-dealer). Nikko AM Europe ('growth' style) also performed well, ahead of benchmark by 2.1% and 10.1% for the quarter and year respectively. The two 'core' managers Royal London AM and JPM AM were slightly behind benchmark. The local equity funds posted strong returns over the quarter on an absolute basis. Arcadium Lithium (+94% for the quarter) was the largest contributor following a takeover bid from Rio Tinto at US\$5.85 per share. The Property Fund and the Global Bond Fund both fell slightly and were both slightly behind benchmark for 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 23.7%.	<b>Strategy size:</b>	\$125.3m
<b>Retail:</b>	0.94%, refer PDS for more details			<b>Buy / Sell spread:</b>	<a href="#">0.09% / 0.09%</a>
<b>KiwiSaver:</b>	1.14%, 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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