

Nikko AM Balanced Strategy

Monthly Update 31 January 2025

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

- Economic data out of the US remained solid over the first month of 2025, a strong US jobs report and a better-than-expected inflation print offset concerns that new tariffs would roil global trade.
- Australia, Europe and UK equity markets delivered strong returns posting gains of 4.6%, 8.0% and 6.1% respectively.
- Central banks in the UK and Europe continued to cut interest rates as economic growth continued to be weak - not recessionary - but well below par of long-term average.

Fund Highlights

- Overall returns for Balanced Fund investors were strong in January, and 3 month and 1-year returns are also very strong in both absolute and relative terms.
- The Global Multi-Manager Equity Fund had another strong month in terms of relative performance with 3 of the 4 managers out-performing.
- The Concentrated Equity Fund outperformed the NZ equity market, driven by positions in Ingenia Communities, Arcadium Lithium and Aristocrat Leisure.

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.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale¹	1.91%	4.57%	16.25%	5.19%	5.28%	7.58%
Benchmark²	1.15%	3.85%	13.50%	6.43%	5.85%	6.86%
Retail³	1.95%	3.69%	14.62%	4.64%	4.34%	
KiwiSaver³	1.91%	3.61%	14.40%	4.56%	4.31%	

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.

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.

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



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	0.42%	0.37%	1.30%	1.15%	6.16%	5.45%	5.09%	4.54%	4.61%	5.00%
NZ Bond Fund	-0.23%	-0.04%	1.39%	1.14%	7.23%	6.29%	2.73%	1.66%	10.74%	11.00%
NZ Corporate Bond Fund	-0.10%	0.06%	1.68%	1.47%	7.91%	7.67%	4.10%	3.83%	5.40%	5.50%
Global Bond Fund	0.79%	0.37%	1.33%	0.66%	4.66%	3.65%	0.13%	-0.38%	15.98%	16.50%
Core Equity Fund	-1.00%	-0.88%	2.77%	2.90%	10.96%	10.30%	5.25%	3.86%	8.49%	8.50%
Concentrated Equity Fund	1.54%	0.75%	2.47%	2.29%	14.10%	10.17%	5.60%	9.33%	8.61%	8.50%
Property Fund	2.29%	1.87%	-1.33%	-1.71%	1.41%	-0.48%	-3.82%	-4.69%	6.03%	6.00%
Global Equity Unhedged Fund	3.57%	2.42%	11.34%	10.20%	36.15%	31.44%	19.41%	13.96%	20.25%	19.50%
Global Equity Hedged Fund	4.71%	3.26%	7.07%	5.74%	26.58%	22.87%	12.83%	8.06%	19.89%	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.

Market Commentary

January was yet another strong month for global equities, continuing the trend of the last two years. A number of regional stocks exchanges made new all-time highs despite concerns that the new US administration would unleash new tariffs which could significantly impact global trade. Company earnings season was generally positive and earnings growth in aggregate remained strong which helped drive positive sentiment. The MSCI ACWI (NZD Hedged) was up 3.3%, and is up nearly 23% on a rolling 1-year basis. The NZ Dollar remained well below US\$0.60 but moved slightly higher off recent lows meaning the MSCI ACWI Index (NZD unhedged) was up 2.4% (+31.4% rolling 1-yr). Global bonds posted a small gain in January, the Bloomberg Global Agg Index (NZD Hedged) advanced 0.4% for the month, while the NZ Composite Bond Index was flat. Australia, Europe and UK equity markets delivered strong returns posting gains of 4.6%, 8.0% and 6.1% respectively. For once the US lagged the broader market, and the New Zealand market was a laggard posting a small loss of -0.9%.

Economic data out of the US remained solid over the first month of 2025, a strong US jobs report and a better-than-expected inflation print offset concerns that new tariffs would roil global trade. While a number of new tariffs were announced, many do not kick in for some time, and some were quickly reversed or diluted! The US Federal Reserve left short term rates at 4.25%-4.5% as expected. After 1% of interest rate cuts in 2024 they have left the door open to ease further in 2025 if economic conditions deteriorate. Central banks in the UK and Europe continued to cut interest rates as economic growth continued to be weak - not recessionary - but well below par of long-term average. Japan continued to move against the trend of lower interest rates, the Bank of Japan raised the policy rate to 0.5%, their first hike since July 2024.

A notable feature of the January equity market rally was the broadening out of key drivers, both in terms of regions and sectors. For a lot of the last 2 years the 'magnificent 7' have driven huge parts of the advance higher. Communications Services (+7.8% in USD) was the best performing sector in January, but Healthcare (+6.1%) and Financials (+5.8%) also did very well. Cyclical sectors including Industrials, Consumer Discretionary and Materials also outperformed the broader market while the largest sector, Information Technology, was the weakest sector falling -1.1%.

Fund Commentary

Overall returns for Balanced Fund investors were strong in January, and 3-month and 1-year returns are also very strong in both absolute and relative terms. With the exception of NZ equities (-0.9%) and NZ bonds (flat), all asset classes posted solid absolute returns in January, with global equities again the strongest performing asset class. The Global Multi-Manager Equity Fund had another strong month in terms of relative performance with 3 of the 4 managers out-performing. WCM ('growth' style) was the standout and Royal London AM (core) also had a very strong month. While overweights to outperforming technology-related names such as AppLovin Corp, Amazon.com, TSMC and Meta Platforms counted among the top 10 individual contributors, there was also good representation from the industrials, consumer discretionary, healthcare and financials sectors. The Concentrated Equity Fund outperformed the NZ equity market, driven by positions in Ingenia Communities, Arcadium Lithium and Aristocrat Leisure. Ingenia upgraded its earning guidance, while Arcadium continues to move higher as it meets further requirements for the takeover by Rio Tinto. The global bond Fund outperformed thanks to the country positioning being overweight Swedish rates versus Japanese rates, as well as positioning for a steeper yield curve in European Government bonds.

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 24.4%.	Strategy size:	\$128.1m
Retail:	0.94%, refer PDS for more details			Buy / Sell spread:	0.09% / 0.09%
KiwiSaver:	1.14%, 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.

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