

Nikko AM Balanced Strategy

Monthly Update 30 November 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

- November was a positive month for both equities and bonds, particularly after the conclusive outcome from the US election where the Republicans took the White House, the Senate and the House of Representatives.
- The NZ Dollar remained below US\$0.60 and weakened slightly meaning the MSCI ACWI Index (NZD unhedged) was up 4.4%.
- The Bloomberg Global Agg Index (NZD Hedged) advanced 1.2% for November, while the NZ Composite Bond Index was positive, but didn't quite match global bonds, up +0.6.
- The New Zealand and Australian equity markets fared much better than other non-US regions, both posting gains of 3.4%.

Fund Highlights

- Overall returns for Balanced Fund investors were strong in November, building on strong performance year-to-date.
- With the exception of NZ listed property, all asset classes posted solid absolute returns in November, with local and global equities leading the way.
- The Global Multi-Manager Equity Fund had another strong month with 3 of the 4 managers out-performing.

Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
Wholesale¹	3.19%	5.16%	20.44%	3.76%	5.39%	7.83%
Benchmark²	2.47%	3.86%	16.27%	5.68%	5.90%	7.04%
Retail³	2.40%	5.03%	19.02%	2.71%	4.45%	
KiwiSaver³	2.38%	4.99%	18.86%	2.65%	4.44%	

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. 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
NZ Cash Fund	0.44%	0.40%	1.45%	1.29%	6.36%	5.66%	4.86%	4.33%	4.63%	5.00%
NZ Bond Fund	0.79%	0.57%	0.52%	0.70%	9.32%	8.04%	2.46%	1.34%	10.83%	11.00%
NZ Corporate Bond Fund	0.69%	0.35%	0.96%	1.19%	9.41%	8.44%	3.73%	3.41%	5.42%	5.50%
Global Bond Fund	1.61%	1.17%	0.97%	0.81%	8.60%	7.18%	-0.32%	-0.87%	16.22%	16.50%
Core Equity Fund	2.86%	3.40%	5.85%	5.24%	17.13%	16.21%	3.18%	1.74%	8.50%	8.50%
Concentrated Equity Fund	1.53%	0.76%	6.35%	2.39%	20.00%	10.38%	3.56%	9.13%	8.27%	8.50%
Property Fund	-0.92%	-1.06%	-3.15%	-3.64%	9.28%	7.17%	-3.41%	-3.93%	5.70%	6.00%
Global Equity Unhedged Fund	6.02%	4.37%	12.63%	9.75%	39.98%	31.68%	17.13%	12.73%	20.47%	19.50%
Global Equity Hedged Fund	6.22%	4.13%	7.14%	4.92%	34.54%	27.46%	11.06%	6.61%	19.96%	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

November was a positive month for both equities and bonds, particularly after the conclusive outcome from the US election where the Republicans took the White House, the Senate and the House of Representatives. Overall global equities posted a strong month with the MSCI ACWI (NZD Hedged) up 4.1%. The NZ Dollar remained below U\$0.60 and weakened slightly meaning the MSCI ACWI Index (NZD unhedged) was up 4.4%. The Bloomberg Global Agg Index (NZD Hedged) advanced 1.2% for November, while the NZ Composite Bond Index was positive, but didn't quite match global bonds, up +0.6. The New Zealand and Australian equity markets fared much better than other non-US regions, both posting gains of 3.4%.

Investor sentiment improved again following some equity market weakness in October, partially due to the expectations of market friendly regulation and policies next year from the new US government. US economic data continued to hold up well, and the Federal Reserve's 25 bps rate cut in the month provided further tailwinds to the market. Outside of the US there was a more muted response for markets following the US election. A combination of weak economic data, and uncertainty over what new US global trade policy might involve, saw equity weakness in Europe and Asia. This weakness was more than offset by the rally in US equities with the S&P500 index up 5.7%, and the tech-heavy NASDAQ Index up 5.2%.

The more cyclically sensitive sectors led the way over November, with Consumer Staples (+7.3%) and Financials (+6.3%) posting strong returns. Materials had another weak month, down -1.1%, and year-to-date it is the only sector not in positive territory, down 2.2%. Global equities are up over 20% year-to-date in 2024 (in NZD Hedged terms) with Information Technology and Financials both up over 25%. Global equities posted similar sized gains last year. Two years of back-to-back returns of 20%+ has been a rare occurrence over the last few decades, but providing there is no 'Christmas surprise' 2023/2024 could well achieve that feat!

Fund Commentary

Overall returns for Balanced Fund investors were strong in November, building on strong performance year-to-date. With the exception of NZ listed property, all asset classes posted solid absolute returns in November, with local and global equities leading the way. The Global Multi-Manager Equity Fund had another strong month with 3 of the 4 managers out-performing. WCM ('growth' style) was the standout for a second straight month. Mobile technology company AppLovin has seen their share price triple since mid-September, and there were also strong returns from McKesson (healthcare), Datadog (cloud-based infrastructure) and Sea Ltd (online marketplace). Nikko AM Europe (growth) and Royal London AM (core) were also well ahead of benchmark, with JPM AM (core) slightly underperforming. The Core and Concentrated Equity Funds underperformed the benchmark. Overweight positions in Ryman Healthcare and Sky TV, as well as being underweight Gentrack, were the main detractors from relative returns, while Aristocrat Leisure (overweight) had a strong month helped by a solid earnings result. Both the global bond and local bond fund outperformed their respective markets. The former was driven by strong performance from securitised holdings, as well as from being underweight Japanese rates and overweight Swedish rates. BoJ governor Ueda continued with a hawkish stance, while the Riksbank continued their cutting cycle on expectations of ongoing economic weakness. The local bond funds outperformance was driven by the funds higher yield accrual and long duration position.

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 24.0%.	Strategy size:	\$126.2m
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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