

# Nikko AM Balanced Strategy

Monthly Update 31 March 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

- Global equity markets were weaker over March, giving up the gains from January and early February to finish the first quarter of 2025 in the red.
- Politics dominated the narrative in March, with announcements on upcoming tariffs and trade policy changes from the new US administration making headlines.
- The Kiwi was stronger versus the US Dollar over the month and the quarter, and weaker over the quarter against the other majors.
- The first quarter of 2025 saw a reversal of the trend of the last couple of years in terms of sector and regional leadership.

## Fund Highlights

- The fund was down -2.3% in the first quarter of 2025, behind the return of the benchmark (-1.8%).
- The defensive section of the portfolio performed well in the 'risk-off' environment of the second half of the quarter. The cash, local, and global bond funds all outperformed, or were in line with, their respective benchmarks.
- The Global Multi-Manager Equity Fund trailed the global benchmark, and the two local strategies (Core and Concentrated) also underperformed the NZX50 Index.

## Performance

	One month	Three months	One year	Three years (pa)	Five years (pa)	Ten years (pa)
<b>Wholesale<sup>1</sup></b>	-2.98%	-2.27%	5.58%	4.31%	7.21%	6.96%
<b>Benchmark<sup>2</sup></b>	-2.47%	-1.82%	6.15%	5.69%	6.93%	6.41%
<b>Retail<sup>3</sup></b>	-2.70%	-2.28%	4.77%	3.42%	6.44%	
<b>KiwiSaver<sup>3</sup></b>	-2.69%	-2.32%	4.56%	3.34%	6.41%	

- Returns are before tax and before the deduction of fees and including tax credits (if any). Based on actual calendar periods.
- Benchmark: Weighted composite of the benchmarks for the underlying sector funds. No tax or fees
- 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>	0.39%	0.33%	1.18%	1.03%	5.87%	5.16%	5.30%	4.71%	3.91%	5.00%
<b>NZ Bond Fund</b>	0.16%	0.15%	0.64%	0.69%	7.03%	6.15%	3.98%	2.87%	11.47%	11.00%
<b>NZ Corporate Bond Fund</b>	0.47%	0.51%	0.94%	0.92%	7.83%	7.57%	5.16%	4.84%	5.78%	5.50%
<b>Global Bond Fund</b>	-0.65%	-0.46%	1.27%	1.09%	4.90%	4.18%	1.60%	0.98%	17.01%	16.50%
<b>Core Equity Fund</b>	-3.13%	-2.43%	-7.61%	-6.18%	0.95%	2.11%	1.91%	1.27%	8.61%	8.50%
<b>Concentrated Equity Fund</b>	-5.71%	0.71%	-9.16%	2.15%	-4.02%	9.88%	1.12%	9.49%	8.52%	8.50%
<b>Property Fund</b>	-3.78%	-3.37%	-4.01%	-4.25%	-5.15%	-6.74%	-5.32%	-6.16%	5.89%	6.00%
<b>Global Equity Unhedged Fund</b>	-5.24%	-4.97%	-2.81%	-2.39%	13.00%	13.17%	18.47%	14.49%	19.52%	19.50%
<b>Global Equity Hedged Fund</b>	-4.88%	-4.48%	-2.30%	-2.16%	6.51%	7.44%	8.97%	5.40%	19.29%	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 were weaker over March, giving up the gains from January and early February to finish the first quarter of 2025 in the red. Global bonds (hedged to NZD) also fell in March, but did post solid gains for the first quarter. Politics dominated the narrative in March, with announcements on upcoming tariffs and trade policy changes from the new US administration making headlines. Fears that changes to global trade structures could lead to higher inflation and lower growth in the short term saw equity markets move lower. The MSCI ACWI (NZD Hedged) was down -4.5% for March and down -2.2% for the quarter. The Kiwi was stronger versus the US Dollar over the month and the quarter, and weaker over the quarter against the other majors. Returns for the MSCI ACWI (in NZD terms) were similar to hedged, down -5.0% for the month, and down -2.4% for the quarter. The Bloomberg Global Aggregate Index (NZD Hedged) was down -0.5% for March, and up +1.1% for the fourth quarter. Closer to home NZ equities followed a similar pattern to their global counterparts, moving lower in both March (-2.4%) and over the first quarter (-6.2%).

The US Federal Reserve (Fed) kept the federal funds target range between 4.25-4.50% during its March meeting. The Fed adopted a slightly dovish tone and communicated a willingness to respond to growth risks if they emerge. The Bank of England kept rates on hold while in Europe, the European Central Bank cut rates by 0.25%. Meanwhile, the Bank of Japan kept rates unchanged and maintained its hiking bias.

The first quarter of 2025 saw a reversal of the trend of the last couple of years in terms of sector and regional leadership. Information Technology (-11.8% for the quarter), Consumer Discretionary (-7.8%) and Communication Services (-2.7%) all underperformed the broader market. Collectively the 'Magnificent 7' growth focused mega-cap names were down over -16% for the quarter. Energy (+8.3%), Utilities (+5.9%) and Financials (+5.4%) all comfortably outperformed the broader market. Regionally the US and Japan both underperformed the broader global market for the quarter. China (MSCI China +13.1%) and Hong Kong (Hang Seng +15.3%) delivered very strong returns for the same period. China based technology firm Deepseek released a new artificial intelligence model that they claimed could match other companies' versions while using significantly less computing power. President Xi also held public meetings to endorse the private sector as "crucial for economic revival" in China and pledged more supportive policy from the government.

## Fund Commentary

The fund was down -2.3% in the first quarter of 2025, behind the return of the benchmark (-1.8%).

Global equity markets were weak over the first quarter, and local markets also fell. The Global Multi-Manager Equity Fund trailed the global benchmark, and the two local strategies (Core and Concentrated) also underperformed the NZX50 Index. WCM ('growth' style) and JPMorgan ('core') underperformed while Royal London ('core' style) was ahead of benchmark. Ryman, Spark and NextDC were the main contributors to underperformance locally. Ryman surprised the market with a N\$1 bln capital raise to reduce debt, and Spark downgraded earnings. Ingenia Communities and Worley both performed well for the funds on strong earnings reports and better than expected forward earnings guidance. Pleasingly for the diversified funds the defensive section of the portfolio performed well in the 'risk-off' environment of the second half of the quarter. The cash, local, and global bond funds all outperformed, or were in line with, their respective benchmarks. The Global Bonds Fund's outperformance was driven by GSAM's country and duration strategies, while their cross-sector strategy detracted from performance. The overweight to Swedish rates versus an underweight Japanese rates added value as Japanese rates sold off amongst stronger inflation and wage data, as well as a 25bps hike from the BoJ. In Sweden, the Riksbank cut rates and the heightened global tariff risks saw Swedish rates rally.

## 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 22.6%.	<b>Strategy size:</b>	\$121.7m
<b>Retail:</b>	0.94%, refer PDS for more details			<b>Buy / Sell spread:</b>	0.09% / 0.09%
<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

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).