

Nikko AM NZ Investment Scheme

NIKKO AM MULTI-STRATEGY FUND

Fund Update



What is the purpose of this update?

This document tells you how the Nikko AM Multi-Strategy Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Nikko AM NZ prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Fund aims to outperform the Bloomberg NZ Bond Bank Bill Index plus 2.5% p.a. over a rolling three year period after fees and expenses, before taxes. The Fund provides investors with access to a multi-manager, multi-strategy investment programme designed to generate capital appreciation over the long term through a portfolio having a diversified risk profile with low to medium volatility.¹

Total value of the fund	\$111,372,565
The date the fund started	22 April 2014

What are the risks of investing?



Risk indicator for Nikko AM Multi-Strategy Fund

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five year period to September 2016.² While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

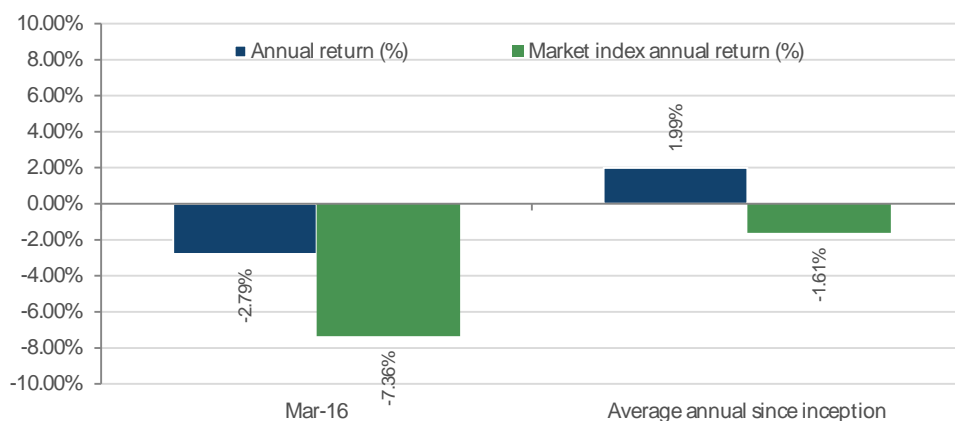
See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Past year
Annual return <i>(after deductions for charges and tax)</i>	-0.84%
Annual return <i>(after deductions for charges but before tax)</i>	0.52%
Market index annual return <i>(reflects no deduction for charges and tax)</i>	See below

The fund does not currently have an appropriate market index. Nikko AM NZ is currently working with the FMA on an appropriate outcome in relation to the market index.

Annual return graph³



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started up to September 2016.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Nikko AM NZ Multi-Strategy Fund are charged fund charges. In the year to 31 March 2016, these are expected to be:

	% of net asset value
Total fund charges	4.03% (estimate)⁴
Which are made up of:	
Total management and administration charges	4.03% (estimate)⁴
Including:	
Manager's basic fee	0.00%
Other management and administration charges	4.03% (estimate) ⁴
Total performance-based fees	0.00%

The total fund charges shown above do not include all fund charges incurred by the fund as the manager was unable to determine the total amount of fund charges incurred by the fund as a result of investing in the following investment.

Name of investment	% of the fund's net asset value that the underlying funds for which fee information is unavailable represent	Type of fund charge that has been omitted in the calculation of fund charges
MSFII (underlying funds)	98.72%	Performance fees

See the product disclosure statement for more information about the basis on which performance fees are charged.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the Nikko AM Multi-Strategy Fund PDS for more information about those fees.

Small differences in fees and charges can have a big impact on your investment over the long term.

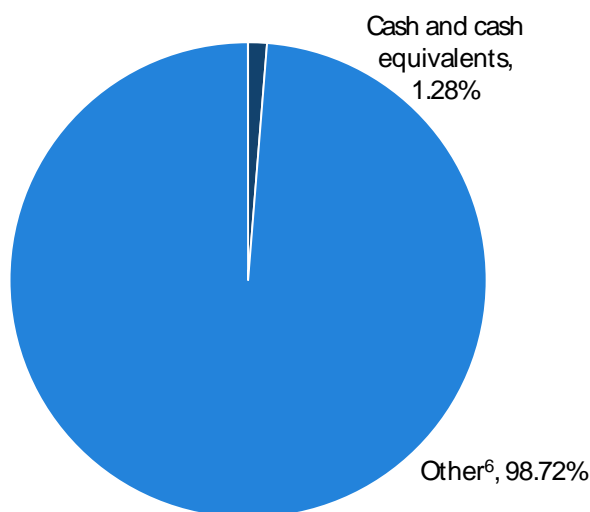
Example of how this applies to an investor

Chris had \$150,000 in the fund at the start of the year⁵ and did not make any further contributions. At the end of the year, Chris incurred a loss after fund charges were deducted of \$2,220 (that is - 1.48% of his initial \$150,000). Chris paid no other charges. This gives Chris a total loss after tax of \$4,185 for the year.

What does the fund invest in?

This shows the types of assets that the fund invests in.

Actual investment mix



Target investment mix

Other ⁶	100%
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Top 10 investments

	Name	Percentage of fund's net asset value	Type	Country	Credit rating (if debt securities)
1	JP Morgan Multi Strategy Fund II NZD Class C A Shares	98.72%	Interest in a diversified fund	Cayman Islands	n/a
2	Westpac Banking Corporation 11am call cash	1.28%	Cash and cash equivalents	New Zealand	AA-

The total value of the top 10 investments make up 100% of the net asset value of the fund.

Key personnel

	Name	Current position	Time in current position	Previous or other current position	Time in previous or other current position
1	George Carter	Managing Director and Member of Investment Committee	0 years and 11 months	Director, Head of Distribution, AMP Capital Investors NZ Limited	6 years and 4 months
2	Fergus McDonald	Head of Bonds and Currency and Member of Investment Committee	16 years and 3 months	NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited	10 years and 5 months
3	Stuart Williams	Head of Equities and Member of Investment Committee	2 years and 2 months	Portfolio Manager – OnePath (NZ) Limited	1 year and 7 months
4	James Wesley	Head of Distribution and Member of Investment Committee	2 years and 10 months	Head of Australia, Wholesale – Threadneedle Investments	3 years
5	Reena Madhoo	Head of Operations and Member of Investment Committee	2 years and 5 months	Senior Client Services Manager – Nikko Asset Management New Zealand Limited	1 year and 2 months

Further information

You can also obtain this information, the PDS for the Nikko AM Multi-Strategy Fund and some additional information from the offer register at <https://www.companiesoffice.govt.nz/disclose>.

Notes

¹ Currency hedging is material to the fund. Hedging is undertaken by the underlying fund manager. In the underlying, unrelated fund, investments in local currencies are first hedged to USD; then the aggregate value of the entire portfolio in USD is hedged to NZD.

² Because the fund is less than five years old, the risk indicator uses returns data partly from returns of the fund, and partly (for the period September 2011 to 22 April 2014) from the underlying Nikko AM Wholesale Multi-Strategy Fund. Nikko AM NZ is currently working with the FMA on an appropriate outcome in relation to the market index.

³ The bar chart shows fund returns after the deduction of fees and taxes, however, the market index returns are shown before any fees or taxes are deducted.

⁴ Estimate of "Other management and administration charges:

Expenses: The fund expenses during the period were 0.21%.

MSFII charges: The fixed proportion of the MSFII fee is 1.0% of the net asset value of MSFII. This is the management fee charged by JPMAAM, payable monthly in arrears, which is reflected in the unit price of MSFII. The variable proportion of this fee is estimated by us and includes performance fees and expenses of MSFII and management fees and performance fees of underlying fund managers of MSFII. This estimate is calculated in accordance with the method set out in summary in the Nikko AM NZ Other Material Information document (on the offer register at www.business.govt.nz/disclose).

⁵ For the purpose of this example, the start of the year is 1 April 2015.

⁶ All investments described in this fund update are in New Zealand dollars. "Other" includes cash and cash equivalents, Australasian equities, international equities, international fixed income, commodities and diversified hedge funds.