

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 NZBond 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.

|                           |               |
|---------------------------|---------------|
| Total value of the fund   | \$114,854,646 |
| 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](http://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 December 2016.<sup>1</sup> 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.

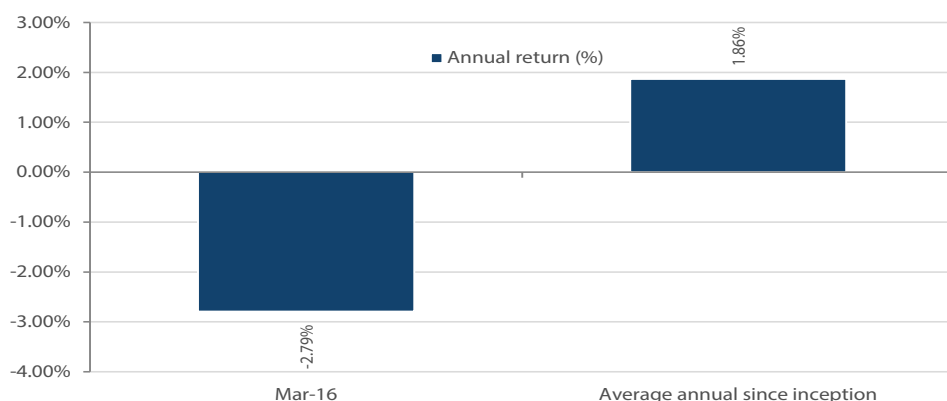
See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

## How has the fund performed?

|  | Past year |
|--|-----------|
| Annual return<br><i>(after deductions for charges and tax)</i>                   | 0.27%     |
| Annual return<br><i>(after deductions for charges but before tax)</i>            | 1.65%     |
| Market index annual return<br><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 graph



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 December 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                    |
|--|---|
| <b>Total fund charges</b>                          | <b>4.03%</b> (estimate) <sup>i, 2</sup> |
| Which are made up of:                              |   |
| <b>Total management and administration charges</b> | <b>4.03%</b> (estimate) <sup>3</sup>    |
| Including:   |   |
| Manager’s basic fee                                | 0.00%                                   |
| Other management and administration charges        | 4.03% (estimate) <sup>3</sup>           |
| <b>Total performance-based fees</b>                | 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   |

<sup>i</sup> It is expected in the current fund year ending 31 March that the expenses of the Fund will decrease by 0.09%.

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.

### Example of how this applies to an investor

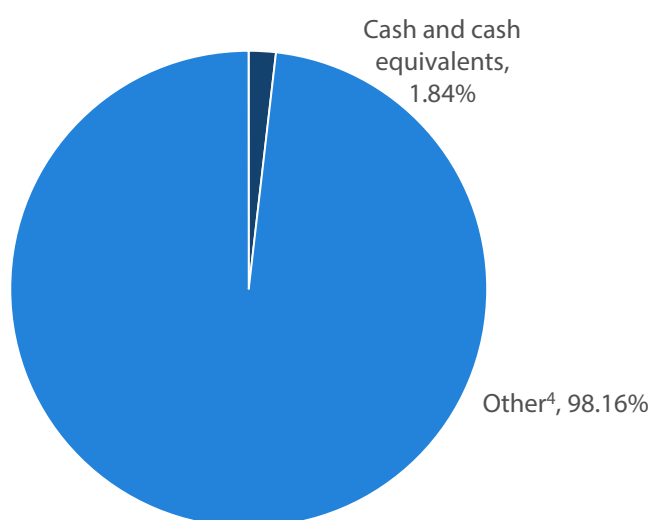
Small differences in fees and charges can have a big impact on your investment over the long term.

Chris had \$150,000 in the fund at the start of the year<sup>3</sup> 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 <sup>4</sup> | 100% |
|--------------------|------|

### Top 10 investments

|   | Name   | Percentage of fund's net asset value | Type                           | Country        | Credit rating (if debt securities) |
|---|--|--------------------------------------|--------------------------------|----------------|------------------------------------|
| 1 | Multi-Strategy Fund II, Ltd - NZD Class C A Shares | 98.16%                               | Interest in a diversified fund | Cayman Islands | n/a                                |
| 2 | Call Cash - Westpac Banking Corporation            | 1.84%                                | 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.

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.

## 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          | 1 year and 2 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 6 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 5 months     | Portfolio Manager – OnePath (NZ) Limited   | 1 year and 7 months                        |
| 4 | James Wesley    | Head of Distribution and Member of Investment Committee       | 3 years and 1 month      | Head of Australia, Wholesale – Threadneedle Investments                          | 3 years                                    |
| 5 | Reena Madhoo    | Head of Operations and Member of Investment Committee         | 2 years and 8 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

<sup>1</sup> 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 December 2011 to 22 April 2014) from the underlying Nikko AM Wholesale Multi-Strategy Fund. As a result of those returns being used, the risk indicator may provide a less reliable indicator of the potential volatility of the fund. Nikko AM NZ is currently working with the FMA on an appropriate outcome in relation to the market index.

<sup>2</sup> 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](http://www.business.govt.nz/disclose)).

<sup>3</sup> For the purpose of this example, the start of the year is 1 April 2015.

<sup>4</sup> All investments described in this fund update are in New Zealand dollars. “Other” refers to the MSFII Fund, which invests in cash and cash equivalents, Australasian equities, international equities, international fixed income, commodities and diversified hedge funds.