

NIKKO AM MULTI-STRATEGY FUND

Monthly Fact Sheet

31 December 2016



Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that outperform the Fund's benchmark return over a rolling three year period after fees and expenses, before taxes.

Benchmark

Bloomberg NZBond Bank Bill Index plus 2.5% per annum.

Fund description

The Fund aims to provide 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 volatility and a low correlation with traditional equity and fixed-income markets.

The Fund gains its investment exposure by investing into the Nikko AM Wholesale Multi-Strategy Fund. The Nikko AM Wholesale Multi-Strategy Fund invests into JP Morgan Alternative Asset Management Inc's Multi-Strategy Fund II, Ltd (MSF II).

Currency management

JPMAAM is responsible for hedging foreign currency exposures to NZD and has developed a New Zealand dollar share class for MSF II which the Nikko AM Wholesale Multi-Strategy Fund invests in.

Management fees and other charges

Nikko AM does not charge a management fee to the Fund, nor does it charge a management fee for this Fund's investment into the Nikko AM Wholesale Multi-Strategy Fund. JPMAAM charge a management fee, payable monthly in arrears of 1.0% per annum of the net asset value of funds invested in MSF II, which is directly deducted from MSF II.

Nikko AM may also recover expenses (including the Trustee fee) from the Fund up to a maximum of 0.25% per annum of the Fund's net asset value. An estimate of expenses as at the time of publication is 0.10% per annum.

We act as distributor for JPMAAM in New Zealand and we receive a fee for arrangement of the investment of New Zealand funds in JPMAAM's investment vehicles. This fee is paid to Nikko AM NZ directly by JPMAAM and not from the Fund or MSFII.

Buy/sell spread

Nil

Strategic asset allocation

	Target	Range
Nikko AM Wholesale Multi-Strategy Fund	100%	95% ↔ 100%
Cash pending investment with manager	0%	0% ↔ 5%

Refer to the SIPO for full details of permitted investments and restrictions.

Applications

Investments can only be made into the Fund once each month. The table below outlines the application dates for the next five months. Refer to the Product Disclosure Statement (PDS) for further information on applications.

Application date	
The date the application money needs to be deposited to Public Trust application account (note that the PIP or custodial service may require the investment to be with them on an earlier date).	
15 February 2017	14 July 2017
14 March 2017	15 August 2017
12 April 2017	13 September 2017
12 May 2017	13 October 2017
13 June 2017	13 November 2017

Withdrawals

Withdrawals are processed quarterly with the redemption request required to Nikko AM NZ prior to the redemption date. The following table outlines the dates that your redemption request is required to be with Nikko AM NZ and the date that your redemption will be processed. Refer to the PDS for further information on withdrawals.

Redemption request date	Redemption date
Redemption request submitted to Nikko AM NZ (note that the PIP or custodial service may require the notice to be with them on an earlier date)	
18 April 2017	30 June 2017
17 July 2017	30 September 2017
20 October 2017	31 December 2017
15 January 2018	31 March 2018
16 April 2018	30 June 2018

Performance

(NZD returns; before tax, after fees and expenses)

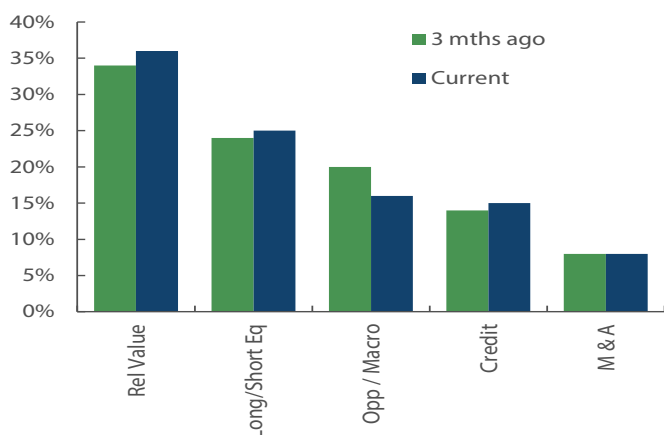
1 month	3 months	6 months	1 year
0.25%	0.51%	1.72%	1.65%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
3.15%			3.20%

* April 2014

Performance by strategy (absolute)

Strategy	Number of Funds	Latest month	Cal YTD
Relative Value	10	0.36%	0.51%
Long / Short Equities	9	0.60%	-0.03%
Opportunistic / Macro	6	0.03%	-4.19%
Credit	6	0.15%	11.35%
Merger Arbitrage / Event Driven	2	1.50%	2.99%

Portfolio composition by geography



Commentary

The **Relative Value** strategy (December: +0.36% vs. HFRX Relative Value +0.83%) was up for the month, but underperformed the strategy index. An Asian-focused Multi-Strategy manager was a significant contributor with gains in a short position in Japan and, to a lesser extent, equity relative value trades in the US and Europe. Also contributing was a side-pocket consisting of a holding company for biotech and biopharmaceutical companies. The position was marked up for the quarter as one of the underlying companies was successfully IPO'd. Multi-Strategy funds were mixed with gains in one fund's book being partially offset by other managers. Another Multi-Strat had meaningful losses in a futures strategy that positioned short equities in the US and Europe.

The **Long/Short Equities** strategy (December: +0.60% vs. HFRX Equity Hedge +0.18%) was up for the month with several contributors. The largest contributor was a health care focused manager that made money in a specialty pharmaceutical company that received news of an accelerated FDA review for a new drug. A European focused manager made money in both its large and small cap strategies. Positions that contributed include a German cement company that traded up on analyst upgrades, an amusement park operator whose shares rose after the conclusion of a legal dispute and an industrial machine manufacturer that appreciated on positive preliminary 2016 results. Offsetting some of these gains were losses in a Global manager driven by a business analytics company that fell on weak guidance.

The **Opportunistic/Macro** strategy (December: +0.03% vs. HFRX Macro +0.48%) was flattish for the month and did not have significant contributors or detractors. Gains in a Discretionary Macro manager from fixed income, equity and commodity trades were offset by losses in a dedicated Commodities fund that liquidated during the month.

The **Credit** strategy (December: +0.15% vs. HFRX Distressed +1.87%) was slightly up for the month. Small gains in Corporate-Distressed, Structured Credit and Litigation Finance combined to offset losses in the General Obligation debt of Puerto Rico.

Merger Arbitrage/Event Driven managers (December: +1.50% vs. HFRX Event Driven +1.92%) were up for the month but underperformed the strategy index. The only meaningful contributor for the month was a Multi-Event Driven manager that made money in a Spanish engineering company, a hotel and resort operator and a Canadian gold miner.



Finalist – Alternative Sector

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Disclaimer | All information and data is based on the most recently available, chart data is typically based on one month prior to the date shown at the top of this fund summary, performance by strategy and commentary is based on the current month using month end estimates. Index comparisons within the commentary are based on the relevant Index as determined by JP Morgan Alternative Assets Management Inc. they are not the Benchmark of the Nikko AM Multi-Strategy Fund which is determined on page one. 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 and the Nikko AM NZ Wholesale Investment Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal 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 an Authorised Financial Adviser and the relevant Product Disclosure Statement or Fund Fact Sheet. 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.