

Factsheet 31 May 2019

NIKKO AM WHOLESALE MULTI STRATEGY FUND

Performance

	1 month	3 months	1 year	3 years (p.a)	5 years (p.a)	10 years (p.a)
Wholesale ¹	-0.42%	1.08%	1.28%	3.74%	4.09%	8.02%
Benchmark ²	0.42%	1.24%	5.05%	4.91%	5.32%	5.37%

1. Returns are before tax and before the deduction of fees
2. Current Benchmark: Bloomberg NZBond Bank Bill Index plus 3.0% per annum. No tax or fees

Application and Redemption Schedule

Applications – the date application money needs to be deposited to the Public Trust application account. (PIP or custodian may require an earlier date).

Application date	Redemption date
13 July 2019	13 September 2019
14 August 2019	12 October 2019
Redemption request date	Redemption date
Request submitted to Nikko – PIP or custodian may require it earlier	From MSFII by the Nikko AM Wholesale Multi-Strategy Fund
15 July 2019	30 September 2019
15 October 2019	31 December 2019

Investment Manager

The Wholesale Multi-Strategy Fund invests into the JP Morgan Alternative Asset Management Hedge Fund Solutions (JPMAAM HFS) Multi-strategy Fund II, Ltd (MSF II). JPMAAM HFS is led by CIO Paul Zummo who co-founded the business in 1994 and is still head of the Portfolio Management Group and chairs the JPMAAM HSF Investment Committee. Paul has over 25 years industry experience and is a member of the CFA Institute.

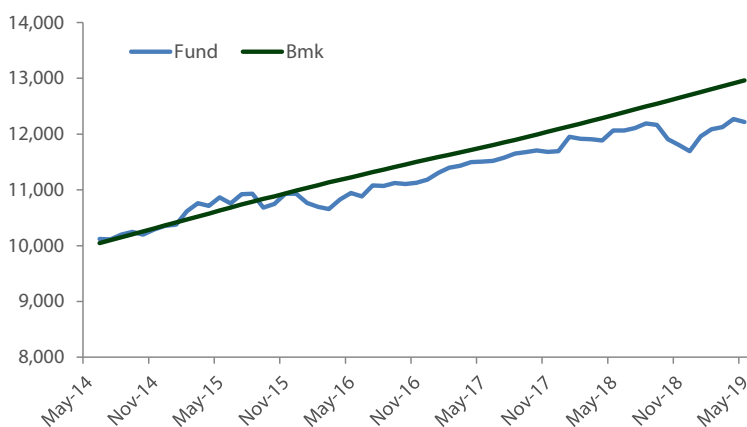
Overview

The Fund provides access to a multi-manager, multi-strategy investment fund designed to generate returns over the long term. The portfolio has a diversified risk profile with low to medium volatility.

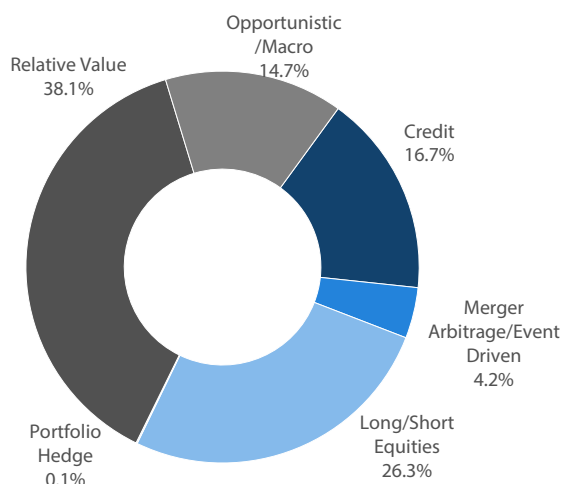
Objective

The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three year period.

Five Year Cumulative Performance, \$10,000 invested^{1, 2}



Strategy Allocations (by value of fund)



Performance Contribution by Strategy

Strategy	No. of funds	Cal YTD
Relative Value	10	1.38%
Long / Short Equities	9	3.05%
Opportunistic / Macro	3	0.44%
Credit	4	0.19%
Merger Arbitrage / Event Driven	1	0.53%
Portfolio Hedge	1	-0.04%

Information shown in the table above is for the month prior to the date of this fact sheet

The Relative Value strategy (May: +0.95% vs. HFRX Relative Value +0.18% / YTD: +4.56% vs. +3.02%) was positive for the month with gains in Quant and Volatility strategies, and mixed but positive results in Multi-Strategy. Within Quant, managers made money across time horizons and implementation techniques (machine learning and prior based). Within Volatility, gains came from an arbitrage manager that profited from index and single name volatility trades. Within Multi-Strategy, one manager contributed with gains from a short position in a Chinese company on speculation that the company was a fraud, while another that focuses on quantitative strategies in equity, fixed income and commodity markets detracted with losses in its systematic futures strategy. **The Opportunistic/Macro strategy** (May: -0.21% vs. HFRX Macro -0.27% / YTD: +2.86% vs. +0.00%) was negative for the month with losses coming from a Discretionary Macro manager. Losses were partly offset by gains in another Discretionary Macro manager who profited from global equity trades and global relative value fixed income trades, as well as a Reinsurance manager that accrued premium in the absence of meaningful loss events. **The Long/Short Equities strategy** (May: -3.21% vs. HFRX Equity Hedge -2.01% / YTD: +7.96% vs. +4.52%) was negative for the month. The largest detractors were an Activist manager who lost money in a multinational investment bank that was fined by the EU for collusion and a technology, media and telecom specialist who lost money in a cybersecurity company that received key analyst downgrades. A European-focused manager that operates two funds in the region, one focused on large cap companies and one on smaller companies, also detracted. The large cap fund detracted with losses in a steel manufacturer that announced production cuts due to slumping demand, while the small cap fund detracted with losses in an automotive fluid systems manufacturer that announced weak earnings. Additional losses came from an Asia-focused fund that lost money in a Chinese ecommerce company that fell on growth concerns and increased US/China trade tension, and a healthcare specialist that lost money in a biotechnology company that announced a decrease in sales for a key drug. **The Merger Arbitrage/Event Driven strategy** (May: -0.52% vs. HFRX Event Driven -0.44% / YTD: +9.21% vs. +0.82%) was negative for the month with losses in a co-investment trade offsetting gains from a Multi-Event Driven manager who made money from a life sciences company which traded up following its IPO. **Credit managers** (May: +0.22% vs. HFRX Distressed N/A / YTD: +1.41% vs. N/A) were positive with gains coming from a Structured Credit manager who profited from municipal bond and CLO fixed income positions. Additional gains came from a Litigation Finance strategy. Our **Portfolio Hedge manager** was positive as the S&P 500 fell -6.35% and the VIX rose from 13.7 to 18.7.

Fund Commentary (source: JPMAAM for underlying USD share class)

Uncertainty on global trade came roaring back in May and global equity markets suffered, in the first negative month for equities this year. Fixed income markets were mixed with the Barclays Capital Global Aggregate Bond Index up and the Barclays Global High Yield Index down. Against this backdrop, the portfolio was down, but protected capital as Relative Value managers mostly offset losses from Long/Short Equities. For the month, Multi-Strategy Fund II was modestly lower (-0.50%) but outperformed the HFRX Global Hedge Fund Index (-0.68%), and remains ahead of the industry year-to-date. (+4.38% vs. +2.57%).

Key Fund Facts

Distributions

Generally does not distribute

Buy / Sell spread:

0.00% / 0.00%

Strategy Launch

June 2008

Strategy size

\$55.4m

Hedging JPMAAM hedges all currency exposure back to NZ dollars.

Estimated annual fund charges

Wholesale: None

Management fee to JPMAAM MSFII 0.85%p.a

Expenses may also be charged to JPMAAM MSFII.

Performance fee

A performance fee of 10% of US dollar returns above US 3-month T-Bill + 3%pa after all fees, accrued on a monthly basis, payable annually, subject to recovery of any previous period negative returns before entitlement is charged by JP Morgan Alternative Asset Management Inc in the JPM Multi-Strategy Fund II, Ltd (JPMAAM MSFII)

Compliance

The Fund complied with its investment mandate and trust deed during the month.

Contact Us www.nikkoam.co.nz | nzenquiries@nikkoam.com

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 1. 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 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. 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 fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.