

Factsheet 29 February 2020

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	-0.45%	1.69%	3.91%	3.37%	3.46%	6.79%
Benchmark ²	0.37%	1.08%	4.61%	4.82%	5.05%	5.30%

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

Changes to the Fund

The Fund is in the process of transitioning from using the JPMAAM MSF II strategy to the JP Morgan Multi Manager Alternatives Fund (MMAF). This change will take place automatically in the coming months and investors do not need to do anything in relation to this action. We will continue to keep you updated on progress.

Applications and Redemption Schedule

Once the transition is complete we will be able to accept application and redemption requests on a daily basis and they will be processed within 10 working days. We will not be processing any new applications or redemptions until August when the transition is complete. Please contact your consultant or Nikko AM for more information.

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.

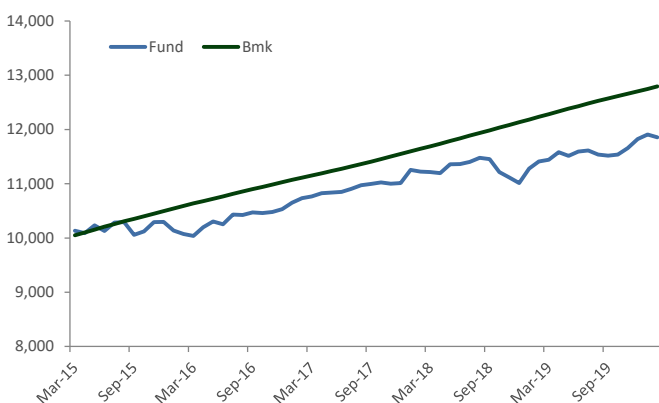
Overview

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.

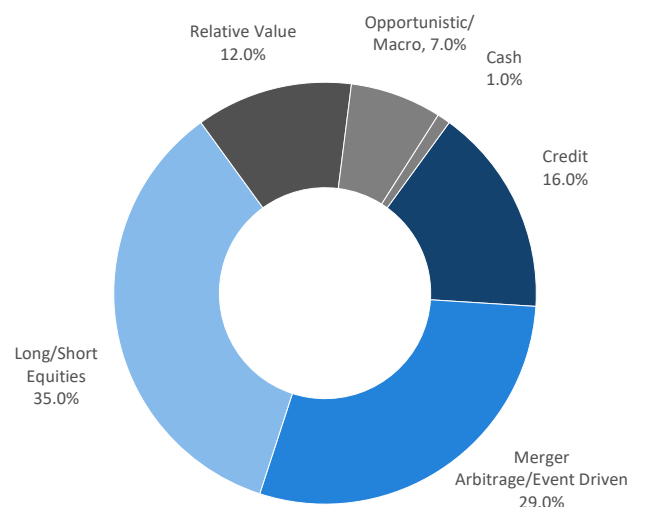
Objective

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)



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

Risk assets posted sharp losses in February driven by concerns around the contagion of COVID-19 and its potential impact on the global economy with the MSCI World down -8.10%. Fixed income markets were, however, broadly positive as the risk-off sentiment drove yields lower and bond prices higher, with the Barclays Global Aggregate Bond Index up +0.67%. Hedge funds, which are generally held as portfolio diversifiers, demonstrated their ability to limit losses. It is notable, however, that despite the significant market volatility in February, we did not see evidence of forced selling amongst market participants. That said, there was wide performance dispersion across and within strategies in February, highlighting the importance of manager selection. Multi-Strategy Fund II was negative for the month (-0.45%). Downside protection was favorable during the month and we believe that this period of high volatility could create dislocations for our managers – particularly our line-up of elite capacity constrained managers – to capitalize on.

The **Relative Value** strategy (February: -0.15% vs. HFRX Relative Value -0.01%) was flattish for the month with mixed results in Multi-Strategy and Quant managers, and gains in Volatility managers. Gains were offset by losses in an Asia-focused manager that lost money in Japan engagement positions that sold off on COVID-19 concerns. Within Quant, returns were mixed with dispersion across time horizons and implementation techniques (machine learning and prior based). Within Volatility, a manager contributed with gains in its discretionary macro and single stock volatility books.

The **Opportunistic/Macro** strategy (February: +0.88% vs. HFRX Macro -1.19%) was positive for the month with gains in a Discretionary Macro manager that made money in long US rates trades, and another Discretionary Macro manager that money in short US equity index and long US rates trades. Additional gains came from a Reinsurance manager that accrued premium in the absence of meaningful loss events.

The **Long/Short Equities** strategy (February: -2.21% vs. HFRX Equity Hedge -3.83%) was negative for the month. The largest detractor for the month was an Activist manager that lost money in a multinational investment bank that fell on rising COVID-19 concerns and a data storage company that reported weak earnings. Additional losses came from an Asia-focused manager who lost money in an Indian commercial bank following a credit rating downgrade. Losses were partially offset by gains in an Asia-focused manager that made money in a Chinese video game maker that had an increase in new users amid COVID-19 lock downs in China.

The **Merger Arbitrage/Event Driven** strategy (February: -0.15% vs. HFRX Event Driven -0.53%) was flattish with no significant contributors or detractors.

Credit managers (February: +0.16% vs. HFRX Distressed N/A) were positive with gains in our Litigation Finance manager. Gains were partly offset by losses in a Structured Credit manager that lost money in CLO equity positions.

Performance Contribution by Strategy

Strategy	No. of funds	Cal YTD
Relative Value	1	0.14%
Long / Short Equities	5	0.86%
Opportunistic / Macro	1	-0.10%
Credit	2	0.18%
Merger Arbitrage / Event Driven	3	0.37%
Portfolio Hedge	0	0.00%

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

Key Fund Facts

Distributions

Generally does not distribute

Buy / Sell spread: 0.00% / 0.00%
Strategy Launch June 2008
Strategy size \$58.8m

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)

Redemptions The liquidity of some assets in the fund has resulted in redemption proceeds not being paid 100% in cash. Proceeds not paid in cash, will be paid in specie by the issue of units in a liquidity share class specific to that redemption date. Units in the liquidity share class will be automatically redeemed by the manager as and when liquidity becomes available. It is expected that full liquidation of any such liquidity share class could take a number of years.

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.