

Factsheet 31 March 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	-4.16%	-3.91%	-0.70%	1.81%	2.31%	6.16%
Benchmark ²	0.39%	1.12%	4.58%	4.82%	5.03%	5.29%

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 have MMAF units set up by August which can then be bought/sold. We will continue to keep you updated on progress.

Applications and Redemption Schedule

Once we have MMAF units set up we will be able to accept application and redemption requests on a daily basis and they will be processed within 10 working days. New applications or redemptions will not be processed until then. 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.

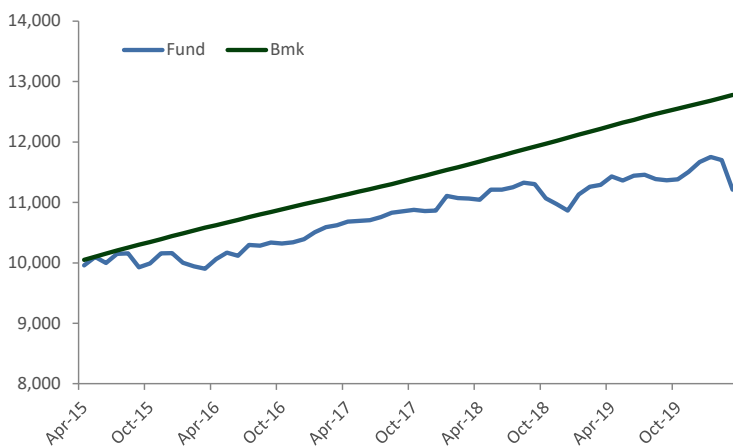
Overview

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.

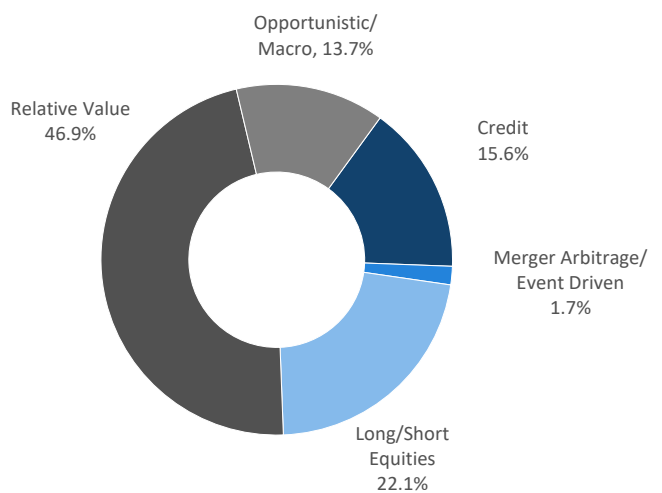
Objective

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)

Global markets posted sharp losses in March as the COVID-19 pandemic widened, volatility surged and liquidity concerns gripped markets, with the MSCI World down -13.23%, the Barclays Global Aggregate Bond Index down -2.24% and the Barclays Global High Yield Index down -13.55%. The speed of the equity and credit market declines and the peaks in volatility surpassed even the 2008 global financial crisis. The impending recession was met by major monetary and fiscal stimulus measures across the globe, including central bank rate cuts, massive quantitative easing packages and the announcement of fiscal stimulus programs. While the Portfolio was negative for the month (-3.79%), we outperformed the HFRX Global Hedge Fund Index (-5.88%) and demonstrated strong downside resilience compared to equities and credit for the month and year. Going forward, we believe the opportunity set for alternative strategies has improved significantly. Non-economic selling is creating dislocations we have not seen in over a decade. Within equities, lower valuations and wide dispersion provide an attractive backdrop from which stock pickers can identify winners and losers. Within credit, forced selling is creating opportunities to buy high quality senior credits at steep discounts now and while we are not there yet, we anticipate ample opportunities in distressed credit. Within Quant, we have evidence that managers’ models are already adapting to the new environment and are poised to capitalize on elevated levels of volatility.

The **Relative Value** strategy was negative for the month with mixed results in Multi-Strategy managers, losses in Quant managers and gains in Volatility managers. Within Multi-Strategy, gains in a manager that focuses on quantitative strategies in equity, fixed income and commodity markets who made money in its equity arbitrage, macro and energy strategies, were partly offset by losses in another manager who lost money in US and Europe engagement positions. Within Quant, returns were negative across time horizons and implementation techniques (machine learning and prior based). Within Volatility, a manager contributed with outsized gains in its discretionary macro and credit books.

The **Opportunistic/Macro** strategy was positive for the month with gains in a Discretionary Macro manager that made money in rates, currency, equity and commodity trades. Additional gains came from a Reinsurance manager that accrued premium in the absence of meaningful loss events.

The **Long/Short Equities** strategy was negative for the month with the majority of losses driven by COVID-19 concerns. The largest detractors were an Asia-focused manager who lost money in positions in Indian banks that fell as the government issued a nationwide 21 day lock down, and an Activist manager who lost money in a multi-national investment bank that announced a suspension of share buy backs and an engine manufacturer who shut key production plants.

The **Merger Arbitrage/Event Driven** strategy was negative with losses in a co-investment trade.

Credit managers were negative with losses in two Structured Credit managers who lost money in CLO and RMBS positions. Additional losses came from a Corporate-Distressed/Liquidation manager who lost money in corporate fixed income positions and fixed income positions in Puerto Rico.

Key Fund Facts

Distributions Generally does not distribute	Estimated annual fund charges Wholesale: None
Buy / Sell spread: 0.00% / 0.00%	Management fee to JPMAAM MSFII 0.85% p.a. Expenses may also be charged to JPMAAM MSFII.
Strategy Launch June 2008	
Strategy size \$54.1m	
Hedging JPMAAM hedges all currency exposure back to NZ dollars.	
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.