

Factsheet 31 May 2021

NIKKO AM WHOLESALE MULTI STRATEGY FUND

The factsheet covers the MMAF ordinary share class and not the A & C share class units which are side-pocketed.

Performance

	1 month	3 months	1 year	3 years (p.a)	5 years (p.a)	10 years (p.a)
Wholesale ¹	-0.87%	-2.09%	13.29%	5.21%	5.12%	6.14%
Benchmark ²	0.28%	0.83%	3.33%	4.24%	4.48%	5.03%

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

Applications and Redemption Schedule

Application and redemption requests can be made on a daily basis and they will be processed within 12 working days.

Investment Manager

The Wholesale Multi-Strategy Fund invests into the JP Morgan Alternative Asset Management Hedge Fund Solutions JP Morgan Multi Manager Alternatives Fund (MMAF).

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.

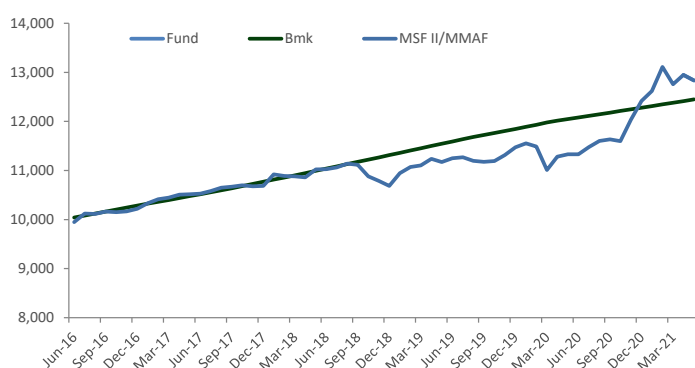
The portfolio has a diversified risk profile with low to medium volatility.

Objective

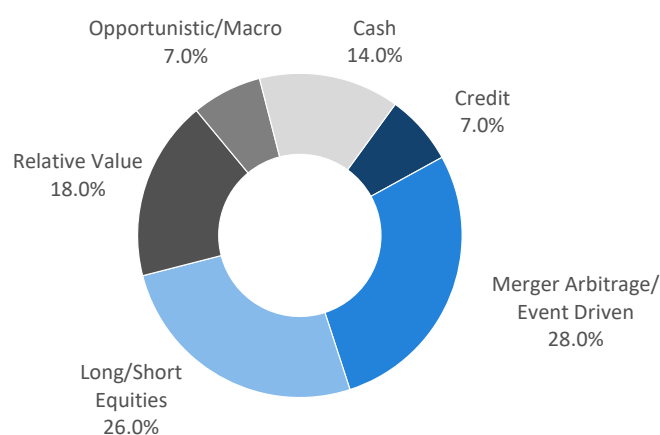
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

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

Performance is for JPMAAM MSF II strategy up to 30.06.20 and for MMAF from 01.07.20



Strategy Allocations (by value of fund)



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

With just under 50% of the U.S. population having received at least one dose of a vaccine and improving vaccination rates in Europe, equity markets have continued their positive performance through the end of May. According to the MSCI World Index, global equities increased +1.49% in May in USD terms, compared to +4.69% in April, as expectations of rising rates have pushed back on the equity markets. Global fixed income returns were mixed with credit and government bonds both up only slightly in May; the Barclays Global Aggregate Bond Index was up +0.94%. After April’s strong equity and fixed income rebound, wide sector and factor dispersion in May 2021 presented headwinds across strategies from the continued factor rotation out of momentum prone sectors.

The **Relative Value** was negative in May which was partially driven by the SPAC volatility portfolio (warrants with hedges), similar to what was experienced earlier this year. Convertible bond declines were another weak spot midmonth. This was partially due to investor deleveraging, and partially due to the fact that many of the companies that issued converts earlier this year were in the tech and biotech sector and therefore struggled amidst the factor rotation. Overall, North American positions in Financials and Industrials were the biggest detractors. The **Macro/Opportunistic Strategy** delivered a positive return in May, reflecting gains in FX trading and global equity index positions. A tactical decision was made to increase the exposure to the trend following strategy by over 3% at the start of April; this additional exposure was added to take advantage of favorable market conditions. The **Long/Short Equity Strategy** was negative in May. After a strong earnings season in April, May was a challenging month for the strategy with flat to negative returns across all sub-advisors, primarily driven by the continued factor rotation. The rotation out of tech and biotech companies and out of price momentum presented headwinds similar to what the portfolio experienced in March. As is common amidst factor rotations, there were very few material individual drivers. The resulting performance declines appear to be temporary as the positions with the worst contributions this month maintain strong fundamentals reflected by strong earnings reports where they largely beat and raised guidance. The **Merger Arbitrage/Event Driven Strategy** had a negative month. By Geography, North American and European positions detracted, while trades in Consumer Discretionary, Communication Services and Financials were the worst performing. By security the only material individual detractor across the sub- advisors in this strategy was Kohl’s, a Concentrated Conviction Trade which sold off after reporting earnings, despite the operational improvements and overall strong results, potentially due to the conservative full year guidance. The **Credit Strategy** was flat in May with slight gains attributed to North American positions primarily in Credit Default Swap positions.

There continue to be three key areas of focus where we find interesting returns with limited downside. Long/Short Equity remains a core allocation, in which we are focused on strategies with lower levels of net equity exposure to maintain the fund’s low beta profile. Through the implementation of Concentrated Conviction Trades, we have been pointing the portfolio to high conviction, asymmetric trades that also screen as non-momentum factor exposure. Lastly, we maintain significant exposure to less correlated strategies with natural downside protection but upside optionality such as SPACs and convertible bond arbitrage.

Key Fund Facts

Distributions

Generally does not distribute

Buy / Sell spread: 0.00% / 0.00%
Strategy Launch: June 2008
Strategy size: \$87.3m

Hedging JPMAAM hedges all currency exposure back to NZ dollars.

Estimated annual fund charges

Wholesale: None

Management fee to JPMAAM 2.20% p.a. includes underlying JPMAAM fund expenses and underlying manager fees.

Performance Contribution by Strategy

Strategy	No. of funds	Cal YTD
Relative Value	1	1.61%
Long / Short Equities	5	-0.39%
Opportunistic / Macro	1	0.28%
Credit	2	0.39%
Event Driven	4	1.75%

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

Compliance

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

Contact Us

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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 a Financial Advice Provider 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.