

Factsheet 30 June 2022

NIKKO AM WHOLESALE MULTI STRATEGY FUND

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

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.51%	-3.89%	-4.47%	3.03%	3.17%	5.50%
Benchmark ²	0.42%	1.15%	3.93%	3.80%	4.26%	4.84%

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

Performance Contribution by Strategy

Strategy	No. of funds	Cal YTD
Relative Value	2	-1.00%
Long / Short Equities	6	-3.51%
Opportunistic / Macro	1	2.26%
Credit	2	-0.43%
Event Driven	5	-1.91%

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

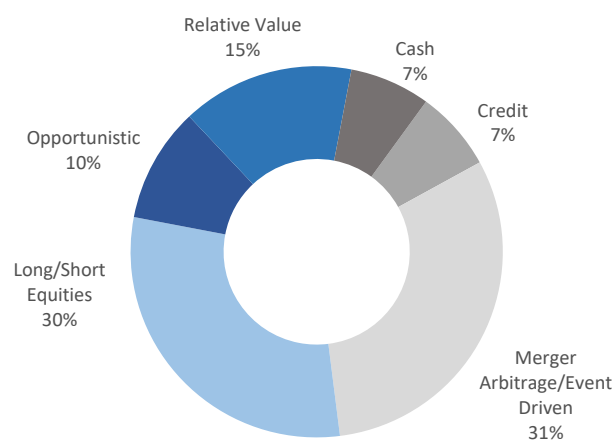
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

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)

Global equities finished the first half of 2022 down -20.30% as per the MSCI World Index. Persistent inflation, disappointing earnings guidance among the large cap names in the U.S., geopolitical tensions, and continued COVID-19 lockdown measures in China all weighing on markets recently. To add more pain, recession fear continues to loom over investors’ minds. Global fixed income returns were also negative in June, as the Fed’s decision to hike rates by 75 basis points pushed interest rates further up.

Macro/Opportunistic Strategy The strategy continued its run of strong performance, reaching year-to-date returns of over 30%. The quantitative global macro and CTA sub-strategies have both served as effective diversifiers in the recent market volatility and the Macro/Opportunistic strategy remains the highest performing strategy year-to-date. Contribution was positive in both sub-strategies, but most of the month’s gains resulted from the CTA allocation as short bond futures benefitted from expectations of continued rate hikes and positioning in currency forwards benefitted from continued strengthening in the US dollar.

Long/Short Equity Strategy Performance was negative for this strategy in June, as global equity markets fell nearly 9% in a single month due to rising concerns of inflation, fears of a recession, and an energy crisis that is exacerbated by the continued conflict in Ukraine. For most sub-advisors, index hedges and short books were effective in protecting against much of the downside. Losses occurred in concentrated conviction trades (CCTs) such as telecom leader Liberty Global, which fell in June alongside industry peers as the telecom services sector sold off over 8% on the month, and Travel & Leisure, which suffered in line with the broader leisure travel industry amidst increased recessionary fears and prolonged warfare in Ukraine. Q2 was down on news that they are no longer pursuing a sale, though the manager retains high conviction in the thesis. Farfetch and other consumer names have sold off this year, especially those with exposure to international markets like China and Russia. FLEX suffered losses due to its perceived exposure to economic growth and supply chain fears. Utilities names continued to sell off under pressure of rising rates, while renewable names such as Nextracker did well on positive solar news from the Biden administration related to tariffs.

Merger Arbitrage/Event Driven Strategy The strategy was negative for the month of June as equity oriented CCTs were impacted by the major selloff in equity markets – though hedges have been successful in providing a level of protection. Digital auto auction business IAA sold off in June alongside broader industrials equities, even as elements of the shareholder engagement campaign began to play out with the announcement of a new branch in Bristol marking the company’s continued expansion into the UK. CH Robinson, a third-party logistics leader, similarly fell in price with the broader transportation index. SPAC-oriented portfolios detracted slightly from fund returns in June despite prices of SPAC common stock remaining relatively stable, mainly due to a continued selloff in SPAC warrants. The fund has continued to reduce exposure to SPACs, which is serving as a funding source for future opportunities.

Relative Value Strategy The strategy was a detractor in June, driven by continued pain in the convertible bond arbitrage strategy – the year-to-date selloff in convertible bonds represents the worst start to the year for the asset class in market history. Further losses stemmed from the volatility arbitrage strategy, which suffered from a continued selloff in SPAC warrants. These were partially offset by a short investment grade credit position expressed via CDX and the quantitative equity market neutral sub-strategy, which was able to capitalize on the volatility throughout the month.

Credit Strategy The strategy experienced losses resulting from long exposure in corporate fixed rate bonds and from CDX positioning. Impact from municipal bonds was positive but minimal as exposures were tactically reduced after capitalizing on widening spreads in May.

Key Fund Facts		
Distributions		Estimated annual fund charges
Generally does not distribute		Wholesale: None
Buy / Sell spread:	Strategy Launch	Strategy size
0.00% / 0.00%	June 2008	\$94.2m
Hedging JPMAAM hedges all currency exposure back to NZ dollars.		
Redemptions		
Requests can be made on a daily basis and they will be processed within 12 working days.		

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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 he 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.