

Factsheet 31 December 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	-0.67%	1.60%	-2.10%	2.85%	3.16%	4.99%
Benchmark ²	0.61%	1.71%	5.40%	4.14%	4.42%	4.90%

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
Credit	2	-0.07%
Event Driven	5	-1.44%
Long/Short Equities	7	-2.90%
Macro/Opportunistic	1	2.52%
Relative Value	2	-0.81%

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

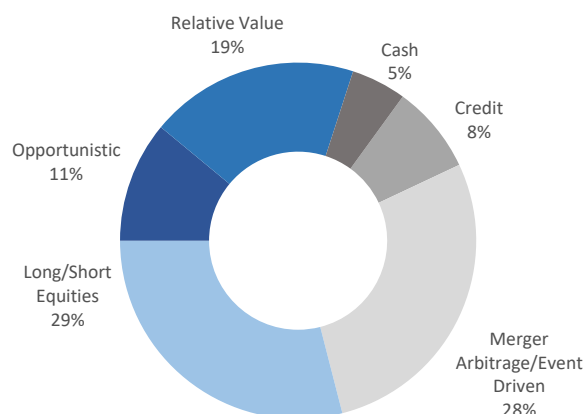
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

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)

It has been a tough year for the markets with the main drivers being the war in Ukraine and central banks’ battle against inflation leading to depressed returns.

Long/Short Equity Strategy – December was a tough month for most equity markets. Losses were driven by long positions, such as IT services provider DXC, where conviction remains strong that a potential transaction could occur in early 2023. Further losses came from long positions that were viewed as more economically sensitive such as financial innovation company Array and luxury fashion brand Farfetch. These losses were partially offset by gains from short positions such as electric vehicle manufacturing company Rivian and cyber-security company CrowdStrike. Gains were also made in index hedge positions.

Macro/Oppportunistic Strategy – The two macro sub-strategies both detracted from fund returns in December. Gains from short US fixed income and short US rate exposure in the CTA portfolio were outpaced by losses from long equity positioning and long USD exposure in both the CTA and quant macro sub-strategies.

Merger Arbitrage/Event Driven Strategy – Equity-oriented CCTs were challenged by the broader market drawdown. The largest losses were driven by a CCT in sustainable biorefinery Green Plains, which gave up a portion of its November gains even as UBS initiated coverage with a buy recommendation implying 50%+ upside potential from the current price. Gains were made in an auto auction company IAA, which was up over 7% on the month as the market had the opportunity to further digest the mid-November announcement that Ritchie Brothers intends to acquire IAA. Multi-event driven strategy contributed modestly as several merger arb and equity event names gained throughout the month. The modest exposure to SPAC common stock was also a small positive contributor in December.

Relative Value Strategy – Losses in the strategy were minimal as losses in equity arbitrage and equity market neutral sub-strategies were partially offset by gains from credit/rates RV trading and convertible bond arbitrage (where multiple positive takeout transactions occurred).

Credit Strategy – The strategy did not have any meaningful impact on the portfolio returns for the month as small gains from the municipal bond positions balanced out losses in the structured credit and corporate credit positions.

At the end of December, the fund had 21 concentrated conviction trades (CCTs) in the portfolio, which together detracted -0.33% for the month and resulted in a contribution of -0.54% year-to-date.

As we kick off 2023, we have been adjusting the portfolio by reducing long/short equity and event driven allocations to bring down the directional equity exposure across the portfolio. We are funding a larger allocation to attractively yielding near-term maturity structured credit securities where the market is pricing in a higher default rate than what our credit managers believe is appropriate based on their bottom-up fundamental analysis. We are also marginally increasing the allocation to a China-focused equity manager to continue diversifying the sources of alpha within the long/short equity strategy and reflecting our updated strategy preference for Asia L/S equity over US and Europe L/S equity in the near-term.

Key Fund Facts		
Distributions	Estimated annual fund charges	
Generally does not distribute	Wholesale: None	
Buy / Sell spread: 0.00% / 0.00%	Strategy Launch June 2008	Strategy size \$63m
Hedging JPMAAM hedges all currency exposure back to NZ dollars.		Management fee to JPMAAM 1.95% p.a. includes underlying JPMAAM fund expenses and underlying manager fees.
Redemptions		
Requests can be made on a daily basis and they will be processed within 12 working days.		

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.