

Nikko AM Wholesale Multi-Strategy Fund

Monthly Update 31 October 2023

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)
Wholesale¹	-0.80%	-1.23%	3.75%	3.75%	3.55%	4.27%
Benchmark²	0.74%	2.18%	8.30%	5.47%	4.99%	5.17%

1. Returns are before tax and before the deduction of fees

2. Current Benchmark: Bloomberg NZ Bond BankBill Index plus 3.0% per annum. No tax or fees

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.

Performance Contribution by Strategy

Strategy	No. of funds	Contribution YTD*
Credit	2	0.83%
Event Driven	4	0.34%
Long/Short Equities	6	0.18%
Macro/Opportunistic	1	0.82%
Relative Value	2	0.76%

*Contribution is for the calendar year.

Overview

The fund provides access to a multi-manager, multi-strategy investment fund designed to generate returns over the long term.

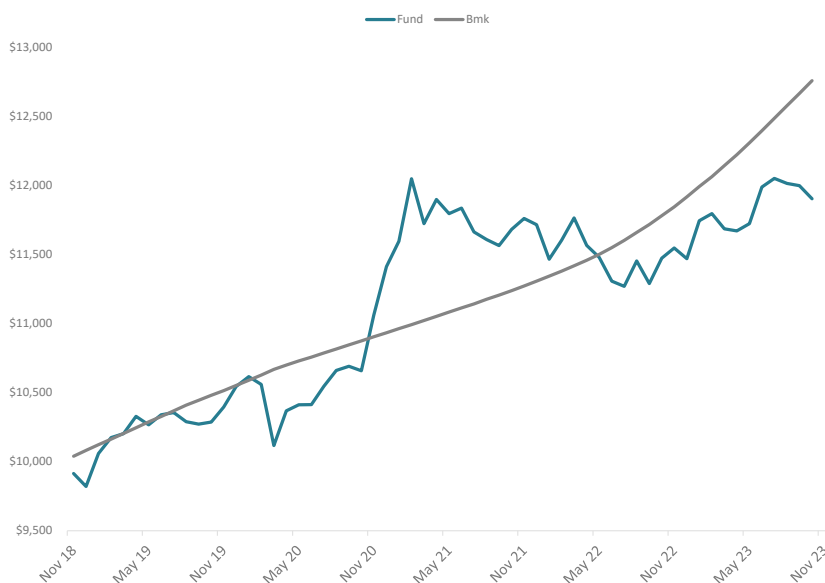
The portfolio has a diversified risk profile with low to medium volatility.

Objective

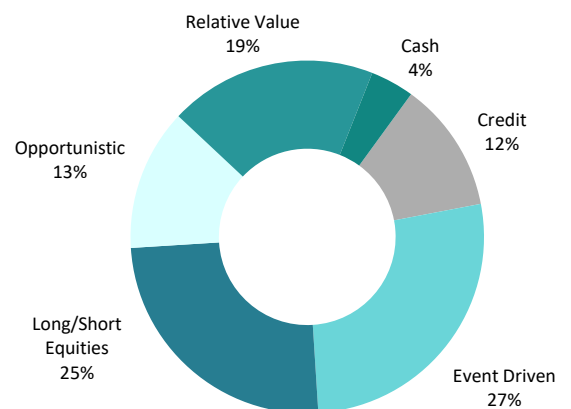
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

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 Allocation (by value of fund)



Market Commentary

October saw negative returns in the global equity markets for the third straight month. Resilient economic data in the U.S. leading to tempered rate cut expectations, heightened geopolitical uncertainty, and deterioration of economic activity in Europe weighed on market sentiment globally. Global fixed income returns were also negative in October as an increase in term premium along with widening of spreads pushed rates higher.

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

Most strategy returns were negative for the month of October.

Credit Strategy (Return: +0.36% / Attribution: +0.04%)

Credit strategies were a bright spot for the month as they protected capital despite a continued move down in fixed income markets, with modest gains roughly split across both the long/short and structured credit manager and the municipal bond trading manager.

Relative Value Strategy (Return: -0.10% / Attribution: -0.02%)

Overall contribution was slightly negative as quantitative equity market neutral sub-strategy offset losses from the multi-strategy portfolio.

Macro/Opportunistic Strategy (Return: -0.21% / Attribution: -0.02%)

Macro strategies were slightly down for the month as losses from short commodities positioning in the quantitative macro sub-strategy offset gains from the CTA sub-strategy driven by short rates and currency positioning.

Event Driven Strategy (Return: -1.40% / Attribution: -0.39%)

Losses stemmed primarily from shareholder engagement trades largely on the back of the challenging equity market returns. Positions in animal health pharmaceuticals company Elanco, plastic packaging manufacturer Berry Global and hospice services company Enhabit were the largest detractors. These losses were partially offset by the hedged book and gains from auction company Ritchie Brothers. Elsewhere, smaller losses from multi-event driven managers (from a combination of equity and credit event trades, and from long convertible bond exposure) were partially offset by gains in the small SPAC allocation.

Long/Short Equity Strategy (Return: -2.23% / Attribution: -0.60%)

The strategy overall detracted in October as multiple managers struggled amidst the broader equity market decline. A fundamental long/short equity manager focused within the utilities and infrastructure space made losses as the sectors sold off heavily. With recent volatility due to expectations of higher for longer interest rates we are refraining from adding to the space today in order to appropriately manage the near-term risk but remain confident in the long-term opportunity. A technology focused manager also detracted as smaller cap tech names sold off with the market. These losses were slightly offset by gains from a European long/short equity manager which delivered its fifth consecutive month of positive returns since being added in June. Returns were also helped by a consumer-focused long/short equity manager as many key names on the long side contributed to gains due to positive earnings announcements.

Positioning

We increased exposure to a European L/S (long/short) equity manager, funding the allocation from other L/S managers to reach a size of over 3%, as they have continued to be successful in generating a steady positive return stream with low correlation to equity markets, to the rest of the L/S equity lineup, and to the fund overall. Despite this increase, we continue to reduce the size of the overall L/S equity allocation in favor of less correlated strategies.

We are adding to a number of shareholder engagement trades in the industrial sector as they have traded down in the midst of a broader factor rotation despite having high cash flows and an attractive near-term event path. In recent days, some of the dislocated areas are starting to reverse, making back a portion of the October losses.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Hedging: JPMAAM hedges all currency exposure back to NZ dollars.	Strategy Launch: June 2008
Wholesale:	None.	Redemptions: Requests can be made on a daily basis and they will be processed within 12 working days.	Strategy size: \$43.3m
Distributions:	Generally does not distribute		Buy / Sell spread: 0.00%/0.00%
Management Fee to JPMAAM 1.95% p.a. includes underlying JPMAAM fund expenses and underlying manager fees.			

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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 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.