

# NIKKO AM MULTI-STRATEGY FUND

## Monthly Fact Sheet

## 31 January 2017



### Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that outperform the Fund's benchmark return over a rolling three year period after fees and expenses, before taxes.

### Benchmark

Bloomberg NZBond Bank Bill Index plus 2.5% per annum.

### Fund description

The Fund aims to provide investors with access to a multi-manager, multi-strategy investment programme designed to generate capital appreciation over the long term through a portfolio having a diversified risk profile with low volatility and a low correlation with traditional equity and fixed-income markets.

The Fund gains its investment exposure by investing into the Nikko AM Wholesale Multi-Strategy Fund. The Nikko AM Wholesale Multi-Strategy Fund invests into JP Morgan Alternative Asset Management Inc's Multi-Strategy Fund II, Ltd (MSF II).

### Currency management

JPMAAM is responsible for hedging foreign currency exposures to NZD and has developed a New Zealand dollar share class for MSF II which the Nikko AM Wholesale Multi-Strategy Fund invests in.

### Management fees and other charges

Nikko AM does not charge a management fee to the Fund, nor does it charge a management fee for this Fund's investment into the Nikko AM Wholesale Multi-Strategy Fund. JPMAAM charge a management fee, payable monthly in arrears of 1.0% per annum of the net asset value of funds invested in MSF II, which is directly deducted from MSF II. Nikko AM may also recover expenses (including the Trustee fee) from the Fund up to a maximum of 0.25% per annum of the Fund's net asset value. An estimate of expenses as at the time of publication is 0.10% per annum. We act as distributor for JPMAAM in New Zealand and we receive a fee for arrangement of the investment of New Zealand funds in JPMAAM's investment vehicles. This fee is paid to Nikko AM NZ directly by JPMAAM and not from the Fund or MSFII. JP Morgan charge a performance fee, accrued on a monthly basis and calculated on the gross returns, less all expenses including the JPMAAM management fee, with such performance fee subject to loss

carry-forward provisions, payable annually to JPMAAM and deducted from the MSF II product.

### Buy/sell spread

Nil

### Strategic asset allocation

	Target	Range
Nikko AM Wholesale Multi-Strategy Fund	100%	95% ↔ 100%
Cash pending investment with manager	0%	0% ↔ 5%

Refer to the SIPO for full details of permitted investments and restrictions.

### Applications

Investments can only be made into the Fund once each month. The table below outlines the application dates for the next five months. Refer to the Product Disclosure Statement (PDS) for further information on applications.

Application date	
The date the application money needs to be deposited to Public Trust application account (note that the PIP or custodial service may require the investment to be with them on an earlier date).	
14 March 2017	15 August 2017
12 April 2017	13 September 2017
12 May 2017	13 October 2017
13 June 2017	13 November 2017
14 July 2017	14 December 2017

### Withdrawals

Withdrawals are processed quarterly with the redemption request required to Nikko AM NZ prior to the redemption date. The following table outlines the dates that your redemption request is required to be with Nikko AM NZ and the date that your redemption will be processed. Refer to the PDS for further information on withdrawals.

Redemption request date	Redemption date
Redemption request submitted to Nikko AM NZ (note that the PIP or custodial service may require the notice to be with them on an earlier date)	
18 April 2017	30 June 2017
17 July 2017	30 September 2017
20 October 2017	31 December 2017
15 January 2018	31 March 2018
16 April 2018	30 June 2018

## Performance

(NZD returns; before tax, after fees and expenses)

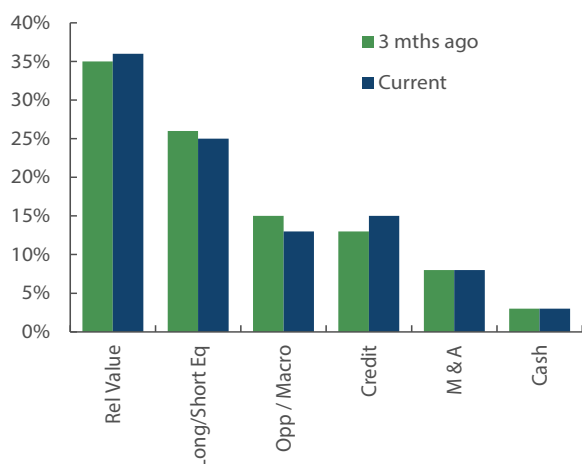
1 month	3 months	6 months	1 year
0.72%	1.14%	1.91%	3.30%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
3.01%			3.36%

\* April 2014

## Performance contribution by strategy

Strategy	Number of Funds	Latest month	Cal YTD
Relative Value	10	0.13%	0.23%
Long / Short Equities	9	0.15%	-0.26%
Opportunistic / Macro	5	0.01%	-0.72%
Credit	6	0.05%	1.44%
Merger Arbitrage / Event Driven	2	0.05%	0.21%
Portfolio Hedge	1	-0.03%	-0.24%

## Portfolio composition by geography



### Finalist – Alternative Sector

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company. These awards should not be read as a recommendation by FundSource. For further advice on the relevance of this award to your personal situation consult your authorised financial advisor.

**Disclaimer** | 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 and the Nikko AM NZ Wholesale Investment 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 or Fund Fact Sheet. 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.

## Commentary

The **Relative Value** strategy (January: -0.18% vs. HFRX Relative Value +0.63%) was negative for the month and underperformed the strategy index. The biggest detractors were Multi-Strategy managers. An Asian-focused Multi-Strategy manager lost money in fundamental equity positions in Europe, North America and Japan with some offsetting gains in Japanese equities positions. Statistical Arbitrage managers were mixed, but higher with one outlier to the positive side. That fund employs a machine learning approach to trading US equities across market caps with a time horizon of approximately 25 to 40 days.

The **Opportunistic/Macro** strategy (January: -0.04% vs. HFRX Macro -0.95%) was slightly negative for the month. Losses from a Discretionary Macro manager that lost money in currency (long USD vs. EUR, JPY and EM Asia) and equity positions (long Japan) were mostly offset by an Opportunistic manager that profited from short rates and long equities positions.

The **Long/Short Equities** strategy (January: +3.14% vs. HFRX Equity Hedge +0.85%) was up solidly for the month and outperformed the strategy index with several key contributors. The biggest contributor was a sector specialist focused on health care that made money in a specialty pharmaceutical company that treats blood disorders and a company focused on developing small-molecule cancer treatments which entered a partnership with a Japanese pharmaceutical company. A Flexible Net manager profited from a hospital operator and an operator of senior living facilities that both rose on news of potential divestitures.

**Merger Arbitrage/Event Driven** managers (January: +1.35% vs. HFRX Event Driven +1.05%) were up for the month and outperformed the strategy index. Gains were primarily from a Multi-Event Driven manager that made money in a Canadian gold miner which reported drilling results that were of a higher grade than anticipated.

The **Credit** strategy (January: +1.23% vs. HFRX Distressed +0.34%) was up for the month with contributions from several managers. A Structured Credit manager benefitted from quarterly CLO debt interest payments as well as principal and interest from residential mortgages. Our Litigation Finance strategy accrued interest on working capital loans to fund legal dockets. In addition, a co-investment position in the sovereign debt of Argentina also added to returns.

Finally, our **Portfolio Hedge** manager was negative as the S&P 500 rose +1.90% and VIX fell from 14.0 to 12.0.