

NIKKO AM MULTI-STRATEGY FUND

Monthly Fact Sheet

28 February 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).	
12 April 2017	13 September 2017
12 May 2017	13 October 2017
13 June 2017	13 November 2017
14 July 2017	14 December 2017
15 August 2017	12 January 2018

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)

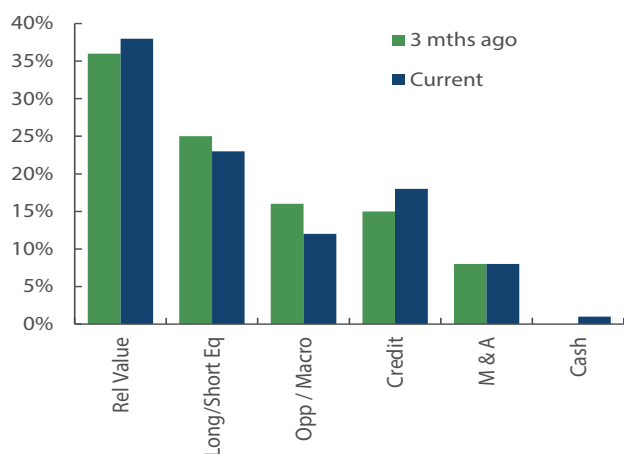
1 month	3 months	6 months	1 year
0.96%	1.94%	1.85%	5.97%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
2.96%			3.60%

* April 2014

Performance contribution by strategy

Strategy	Number of Funds	Latest month	Cal YTD
Relative Value	11	0.03%	0.03%
Long / Short Equities	9	0.72%	0.72%
Opportunistic / Macro	4	0.01%	0.01%
Credit	7	0.22%	0.22%
Merger Arbitrage / Event Driven	2	0.11%	0.11%
Portfolio Hedge	1	-0.02%	-0.02%

Portfolio composition by geography



Commentary

The Fund outperformed the index over the month of February.

The **Relative Value** strategy (February: +0.43% vs. HFRX Relative Value +0.62%) was up for the month, but underperformed the strategy index. Multi-Strategy managers were mixed. One fund made money in Chinese equities and short positions in shipping and offshore energy companies, while another manager profited from its systematic futures strategy. Offsetting these gains, however, was a Multi-Strat fund that lost money in long/short equity trades. Statistical Arbitrage managers, as a whole, were up with the biggest gains in a pair of funds that employ a machine learning approach to trading US equities across market caps. This manager made money in both short term and medium term applications of the strategy.

The **Opportunistic/Macro** strategy (February: -0.41% vs. HFRX Macro +1.18%) was down for the month and underperformed the strategy index. Discretionary Macro managers were mixed during the month with one fund losing money in fixed income, currency and commodity trades.

The **Long/Short Equities** strategy (February: +2.51% vs. HFRX Equity Hedge +1.17%) was up solidly for the month and outperformed the strategy index. Nearly all managers were up for the month with the biggest contributions coming from sector specialist funds in health care and technology, media and telecom (TMT).

Merger Arbitrage/Event Driven managers (February: +0.21% vs. HFRX Event Driven +1.55%) were positive for the month with no significant contributors or detractors.

The **Credit** strategy (February: -0.25% vs. HFRX Distressed +2.19%) was slightly lower during the month. Gains came from our Litigation Finance manager and a fund that is seeking to profit from mispricings in the debt of Puerto Rico. The Puerto Rico fund benefitted from the General Obligation bonds of the commonwealth which appreciated during the month. These gains, however, were offset by a Corporate-Distressed manager that lost money due to its overall short positioning, a short in a hospital operator and a long position in an energy company.

Finally, our **Portfolio Hedge** manager was negative as the S&P 500 rose +3.97% and VIX rose only modestly from 12.0 to 12.9.



Finalist – Alternative Sector

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