

NIKKO AM MULTI-STRATEGY FUND

Monthly Fact Sheet

31 May 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 vehicle is a NZ domiciled Portfolio Investment Entity. 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 July 2017	14 December 2017
15 August 2017	12 January 2018
13 September 2017	12 February 2018
13 October 2017	14 March 2018
13 November 2017	13 April 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)	Redemption from MSFII by the Nikko AM Wholesale Multi-Strategy Fund
17 July 2017	30 September 2017
20 October 2017	31 December 2017
15 January 2018	31 March 2018
16 April 2018	30 June 2018
16 July 2018	30 September 2018

Performance

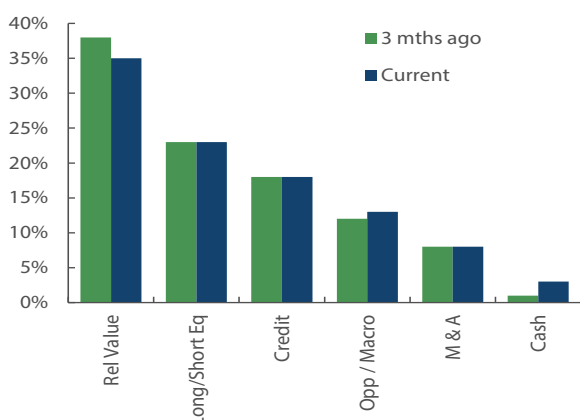
(NZD returns; before tax, after fees and expenses)

1 month	3 months	6 months	1 year
0.63%	0.68%	2.63%	4.50%

2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
2.32%			3.53%

* April 2014

Portfolio composition by strategy



Performance contribution by strategy

Strategy	Number of Funds	Latest month	Cal YTD
Relative Value	11	-0.01%	0.17%
Long / Short Equities	9	0.51%	2.16%
Opportunistic / Macro	5	-0.03%	0.01%
Credit	7	0.07%	0.16%
Merger Arbitrage / Event Driven	2	-0.03%	0.06%
Portfolio Hedge	1	-0.01%	-0.04%



Finalist – Alternative Sector
Fund Manager of the Year Awards are announced by FundSource, the investment strategy and research

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.

Commentary (source JPMAAM for underlying USD share class)

The **Relative Value** strategy (May: -0.65% vs. HFRX Relative Value +0.27% / YTD: -0.29% vs. +1.50%) was lower for the month with losses in a Multi-Strategy fund and a Volatility Event fund. The Multi-Strategy fund lost money on a short position in Hong Kong that they believe has fraud-like characteristics and a US based real estate company that fell on low volume. The Volatility Event fund lost money in a difficult environment for their strategy given low levels of realized and implied volatility and weakness in the health care / biotech sectors during the month.

Offsetting some of these losses were Statistical Arbitrage funds employing both prior-based and machine learning techniques with short-term time horizons.

The **Opportunistic/Macro** strategy (May: -0.79% vs. HFRX Macro +0.49% / YTD: -0.64% vs. -0.34%) was lower for the month with losses in Discretionary Macro and Opportunistic managers. In Discretionary Macro, losses were attributable to fixed income and currencies. Specifically, emerging market curve trades and the New Zealand dollar, British pound and emerging market currencies detracted. Our Opportunistic manager lost money in US rates trades across the curve, intermediate-term European rates trades and short JPY positions

The **Long/Short Equities** strategy (May: +1.80% vs. HFRX Equity Hedge -0.57% / YTD: +11.56% vs. +2.85%) was up again and outperformed the strategy index. Nearly all managers contributed although there was one outlier to the downside. That manager, a health care specialist, lost money in a difficult month for the sector. The key detractors were two specialty pharmaceutical companies that reduced full-year guidance after reporting weaker than expected Q1 earnings. The contributors more than offset this fund, however, with gains in a technology, media and telecom (TMT) specialist, a Global fund, a Europe-focused manager and an Asia-focused fund. The technology, media and telecom (TMT) specialist made money in a company that owns a number of online properties and a business analytics company. The Global fund profited from its long growth tilt in an online HR service provider, a mega-cap online retailer and a streaming video service provider. In Europe, a manager that operates two funds in the region, one focused on large cap companies and one on smaller companies, made money in an online classifieds company, a forklift manufacturer and companies with exposure to housing in the UK. Lastly, in Asia a manager made money in a Chinese e-commerce company that posted strong Q1 earnings, a Korean electronics company that is seeking to spin off its semiconductor business and a Chinese brewery.

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.