

NIKKO AM MULTI-STRATEGY FUND

Monthly Fact Sheet

30 June 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 (PIE). 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).	
15 August 2017	12 January 2018
13 September 2017	12 February 2018
13 October 2017	14 March 2018
13 November 2017	13 April 2018
14 December 2017	15 May 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
20 October 2017	31 December 2017
15 January 2018	31 March 2018
16 April 2018	30 June 2018
16 July 2018	30 September 2018
15 October 2018	31 December 2018

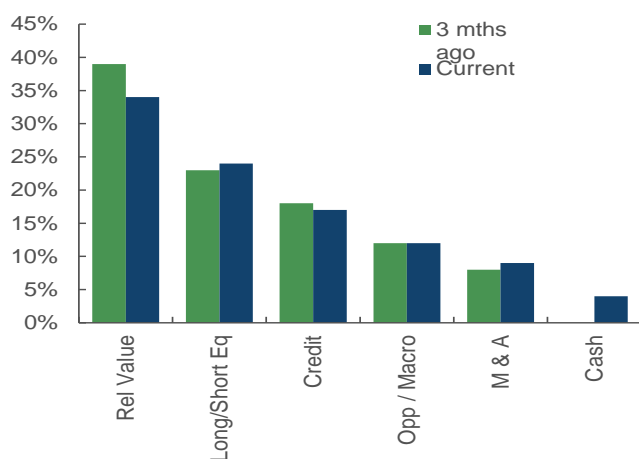
Performance

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

1 month	3 months	6 months	1 year
-0.20%	0.41%	2.17%	3.93%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
1.85%			3.38%

* April 2014

Portfolio composition by strategy



Performance contribution by strategy

Strategy	Number of Funds	Latest month	Cal YTD
Relative Value	11	-0.21%	-0.05%
Long / Short Equities	9	0.42%	2.59%
Opportunistic / Macro	4	-0.10%	-0.09%
Credit	7	-0.08%	0.07%
Merger Arbitrage / Event Driven	2	0.02%	0.08%
Portfolio Hedge	1	0.00%	-0.05%

Commentary (source JPMAAM for underlying USD share class)

The **Relative Value** strategy (June: -0.10% vs. HFRX Relative Value +0.21% / YTD: -0.28% vs. +1.71%) was slightly lower for the month with one outlier to the negative side, a Multi-Strategy fund that lost money in its macro book. Partially offsetting these losses were gains in a Volatility Event manager that made money despite a continued low volatility environment and a side-pocket consisting of a holding company for biotech and biopharmaceutical companies. Quantitative RV managers, as a group, also added to performance with the best performance in Machine Learning strategies, across time horizons.

The **Opportunistic/Macro** strategy (June: -0.31% vs. HFRX Macro -0.41% / YTD: -1.00% vs. -0.75%) was mixed, but lower for the month with losses in Discretionary Macro and gains in an Opportunistic manager. In Discretionary Macro, losses were attributable to European equities, long JPY, short EUR and long volatility positions. Partially offsetting these losses were gains in an Opportunistic manager that made money short rates, short JPY and long equities.

The **Long/Short Equities** strategy (June: +0.59% vs. HFRX Equity Hedge +0.86% / YTD: +12.19% vs. +3.73%) was up again for the month with the biggest contributions coming from US managers. An Activist made money in a private label credit card issuer that announced a deal with a key partner and a specialty pharmaceutical company that announced plans to divest a large subsidiary. A Technology, Media and Telecom focused manager profited from a security network solutions company that was up on strong earnings and a biopharmaceutical company that had a drug approved by the FDA during the month. A Flexible Net manager made money in a rental car company that agreed to partner with a self-driving car unit and a hospital operator that announced several divestitures. Offsetting some of these gains were losses in a pair of European funds that lost money on companies with exposure to UK housing: two home builders and a furniture manufacturer.

Merger Arbitrage/Event Driven managers (June: -0.83% vs. HFRX Event Driven -0.03% / YTD: +0.07% vs. +4.61%) were down for the month, although the only meaningful detractor was a Multi-Event Driven manager that lost money in energy-related companies in the US.

The **Credit** strategy (June: +0.28% vs. HFRX Distressed +0.57% / YTD: +0.66% vs. +2.56%) was mixed but higher for the month with gains in our Litigation Finance manager and losses in a Corporate-Distressed manager positioned short credit markets.

Finally, our **Portfolio Hedge** manager was negative as the S&P 500 rose +0.6% and the VIX rose only modestly from 10.4 to 11.24.

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.