

# Nikko AM Wholesale Multi-Strategy Fund

## Fund manager

JP Morgan Alternative Asset Management Inc (JPMAAM), via Nikko Asset Management New Zealand Limited.

In New Zealand we actively manage NZ\$5 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms.

We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Nikko AM NZ utilise JPMAAM's multi-manager/multi-strategy fund, Multi-Strategy II, Ltd (MSF II Ltd) to provide access to absolute return strategies.

## Fund launch

June 2008

## Investment objective

To construct a portfolio of authorised investments that outperform the Fund's benchmark return over a rolling three year period after fees.

## Benchmark

Bloomberg NZBond Bank Bill Index plus 2.5% pa (from 1 July 2016)

## Investment process

By integrating a number of hedge fund strategies into one fund, the MSF II Ltd fund's objective is to generate capital appreciation over the long term through a portfolio having a diversified risk profile with relatively low volatility and a low correlation with traditional equity and fixed-income markets.

## Trustee

Public Trust

## Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

## Structure and taxation

Offshore manager's product with NZD share class.

The Fund vehicle is a Portfolio Investment Entity (PIE). Investors elect their own Prescribed Investor Rate. Each investor's return is subject to the foreign investment taxation regime, under the Fair Dividend Rate approach. Information is provided to the IR and investors on an annual basis.

## Distributions

Does not distribute but may do so at the Manager's discretion.

## Buy/sell spread

Nil

## Currency management

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

## Management fees

An investment management fee of 1.00% per annum and administration expenses are deducted from the offshore manager's product.

Nikko AM acts as agent for JPMAAM in New Zealand and receives an annual trail fee for the amount invested in the MSF II Ltd product. This trail fee is paid by JPMAAM and not from the Fund or MSF II Ltd.

## Performance fee

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 of:

10.0% of returns (in USD terms) above the annualized return from US 3-month T-Bill

## Subscriptions

Minimum subscription and minimum holding is NZD150,000.

Investments can only be made into the Fund once each month.

The table below outlines the application dates for the next period ended June 2017.

### Application date

The date the application money needs to be deposited to Public Trust application account.

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

## Redemptions

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. Redemption proceeds will be available approximately 6 weeks after the redemption date.

Redemption request date	Redemption date
Redemption request submitted to Nikko AM NZ	Redemption from MSFII by the Nikko AM Wholesale Multi-Strategy Fund
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 gross returns before JPMAAM fees)

	Fund	Benchmark*	Excess
1 month	1.05%	0.38%	0.67%
3 months	1.76%	1.17%	0.59%
6 months	2.02%	2.38%	-0.36%
1 year	5.01%	5.00%	0.00%
2 years (pa)	4.36%	5.47%	-1.11%
3 years (pa)	4.96%	5.66%	-0.71%
5 years (pa)	8.06%	5.51%	2.55%

\* S&P/NZX Bank Bills 90-Day Index plus 2.5% per annum prior to 1 July 2016

### Fund size

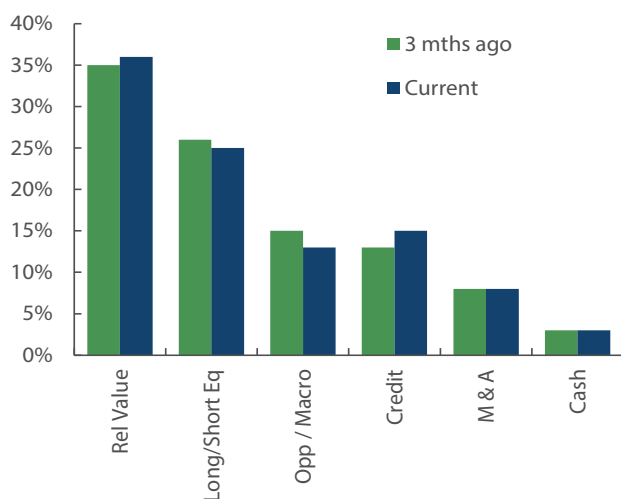
MSF II Ltd: US\$2 billion (JPMAAM fund)

Nikko AM Fund: NZ\$198 million

### 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 strategy



### 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. In Europe, a manager profited in both its large and small cap funds from positions in a German industrial supply manufacturer that was awarded a major contract, two food delivery service companies that rose on higher analyst expectations, and a small cap homebuilder that saw its price target increased during the month. In Asia, a manager profited from a Chinese automaker, a Korean semiconductor company and a Chinese online retailer. Lastly, a Global manager made money in a US cable and internet service provider that rose on rumors of a buyout, a business services data company that announced a large new customer and an internet content provider that posted strong quarterly results.

**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.

**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 Wholesale Multi-Strategy Fund which is determined on page 1 and shown in the performance table. 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 given and no responsibility is accepted for errors or omission including where provided by a third party. This does not constitute an offer to directly invest in the Multi-Strategy Fund II, Ltd. The above is a summary of the broad parameters under which JP Morgan Alternative Assets Management Inc. invests the funds on behalf of the investment manager (Nikko Asset Management New Zealand Limited). Investors and/or their advisers should be familiar with the JP Morgan Offering Memorandum for the Multi-Strategy Fund II, Ltd. The offering is for professional investors only. A full copy of the offering document is available from the Investment Manager. 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 (available on our website).