

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 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

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
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 gross returns before JPMAAM fees)

	Fund	Benchmark*	Excess
1 month	0.14%	0.38%	-0.23%
3 months	1.06%	1.13%	-0.07%
6 months	3.51%	2.27%	1.24%
1 year	5.26%	4.78%	0.48%
2 years (pa)	2.97%	5.19%	-2.23%
3 years (pa)	4.82%	5.55%	-0.73%
5 years (pa)	7.81%	5.46%	2.35%

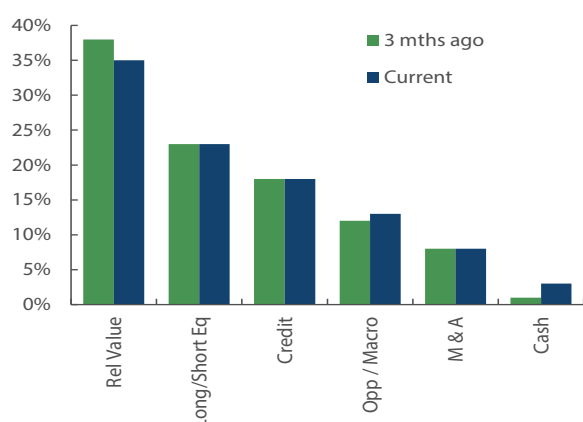
* S&P/NZX Bank Bills 90-Day Index plus 2.5% per annum prior to 1 July 2016

Fund size

MSF II Ltd: US\$1.98 billion (JPMAAM fund)

Nikko AM Fund: NZ\$201 million

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%

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.

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).

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.

Merger Arbitrage/Event Driven managers (May: +0.47% vs. HFRX Event Driven +0.93% / YTD: +1.47% vs. +4.64%) were up for the month. The only meaningful contributor was a Multi-Event Driven manager that made money in a European bank and M&A related trades.

The **Credit** strategy (May: -0.48% vs. HFRX Distressed -0.20% / YTD: +0.13% vs. +1.98%) was down for the month. The biggest detractors were a Corporate-Distressed manager and a fund seeking to profit from dislocations in the debt of Puerto Rico. These losses were partially offset by gains in our Litigation Finance manager.

Finally, our **Portfolio Hedge** manager was negative as the S&P 500 rose +1.4% and the VIX fell from 10.8 to 10.4.