

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.	
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

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
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 gross returns before JPMAAM fees)

	Fund	Benchmark*	Excess
1 month	0.06%	0.37%	-0.30%
3 months	0.75%	1.12%	-0.38%
6 months	2.98%	2.25%	0.73%
1 year	5.81%	4.73%	1.08%
2 years (pa)	3.47%	5.11%	-1.63%
3 years (pa)	4.41%	5.51%	-1.10%
5 years (pa)	7.88%	5.45%	2.43%

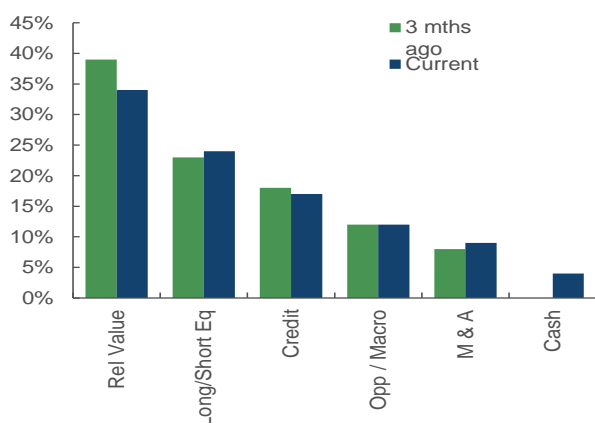
* S&P/NZX Bank Bills 90-Day Index plus 2.5% per annum prior to 1 July 2016

Fund size

MSF II Ltd: US\$1.99 billion (JPMAAM fund)

Nikko AM Fund: NZ\$203 million

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 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).