

Factsheet 31 October 2022

NIKKO AM WHOLESALE MULTI STRATEGY FUND

The factsheet covers the MMAF ordinary share class but not the A & C share class units which are side-pocketed.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.63%	1.81%	-1.79%	3.71%	3.14%	5.31%
Benchmark ²	0.55%	1.54%	4.83%	3.98%	4.35%	4.87%

1. Returns are before tax and before the deduction of fees

2. Current Benchmark: Bloomberg NZBond Bank Bill Index plus 3.0% per annum. No tax or fees

Performance Contribution by Strategy

Strategy	No. of funds	Cal YTD
Relative Value	2	-0.55%
Long / Short Equities	7	-3.40%
Opportunistic / Macro	1	2.85%
Credit	2	-0.23%
Event Driven	5	-1.60%

Investment Manager

The Wholesale Multi-Strategy Fund invests into the JP Morgan Alternative Asset Management Hedge Fund Solutions JP Morgan Multi Manager Alternatives Fund (MMAF).

JPMAAM HFS is led by CIO Paul Zummo who co-founded the business in 1994 and is still head of the Portfolio Management Group and chairs the JPMAAM HSF Investment Committee. Paul has over 25 years industry experience and is a member of the CFA Institute.

Overview

The fund provides access to a multi-manager, multi-strategy investment fund designed to generate returns over the long term.

The portfolio has a diversified risk profile with low to medium volatility.

Objective

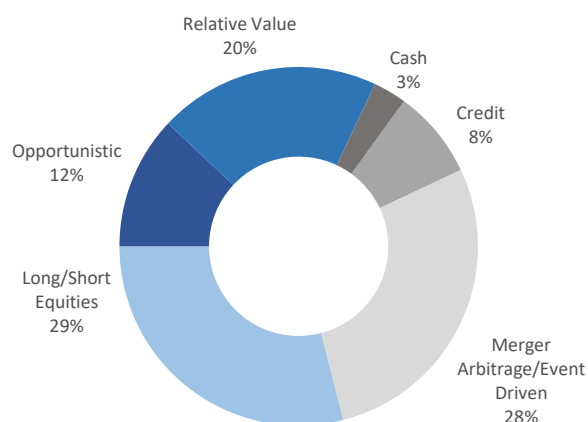
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

Five Year Cumulative Performance, \$10,000 invested^{1,2}

Performance is for JPMAAM MSF II strategy up to 30.06.20 and for MMAF from 01.07.20



Strategy Allocations (by value of fund)



Fund Commentary (source: JPMAAM for underlying USD share class)

After an extremely challenging third quarter of 2022, October saw a partial recovery in equity markets with the MSCI World Index up +7.22%. This was driven by signs of a potential pivot in central bank policies, global supply chain constraints continuing to ease, and European governments taking further steps to dampen the impact of the energy crisis. Bond markets struggled over October however as central banks continued to hike rates due to high inflation and solid labour markets.

Long/Short Equity Strategy - The long/short equity bucket benefitted from the broader market rally. Performance was driven by CCTs in IT services provider DXC (which has received potential takeover offers) and electronics manufacturer Flex (which highlighted a continued transition to a higher margin business in its recent earnings report). Additional notable gains came from positions in the healthcare sector, certain utilities making a transition to renewable power (e.g. AES, EIX) and companies that had strong earnings announcements, such as Medpace Holdings and Rollins. The only main detractor was the strategy’s exposure to China which was negatively impacted by the announced leadership changes which drove concerns related to the pace of reopening post-COVID and a potential exacerbation of longer-term geopolitical issues.

Merger Arbitrage/Event Driven Strategy - Equity-oriented Concentrated Conviction Trades (CCTs) were the largest contributor. These positions also benefited from the broader market rally, with notable gains from shareholder engagement CCTs in auto auction company IAA (which is seeing active demand from PE investors) and water infrastructure company Mueller Water (a likely acquisition target that benefits from the Inflation Reduction Act). The multi-event driven portfolio also contributed positively, driven by positions in holding companies, relative value catalyst trades, and mergers. SPAC sub-strategy now represents only minimal exposure and had no meaningful impact on the month’s performance.

Macro/Opportunistic Strategy - Both macro sub-strategies continued to deliver positive returns in October. Gains were driven by effective geographic and asset class positioning across both sub-strategies, specifically short Hong Kong equity exposure, long US equity exposure, and short commodity exposure.

Credit Strategy - Gains were driven by long CDX high yield positioning that benefitted from the improving equity sentiment over the month, despite most global fixed income markets struggling. Contribution from individual corporate bond exposure was muted. The municipal bond trading sub-strategy delivered slightly modest positive returns.

Relative Value Strategy - Positive returns from the now meaningfully sized equity market neutral sub-strategy more than offset losses in the multi-strategy sub-strategy. The allocation to equity market neutral posted another positive month. Market conditions remain conducive for the sub-strategy given persistent elevated (but not extreme) volatility, high levels of dispersion, and price moves driven by underlying fundamentals. In the multi-strategy portfolio, losses were fragmented across various components, including short credit exposure, the FX volatility arbitrage sub-strategy, and spread widening in corporate structure trades.

Key Fund Facts

Distributions			Estimated annual fund charges
Generally does not distribute			Wholesale: None
Buy / Sell spread:	Strategy Launch	Strategy size	Management fee to JPMAAM 1.95% p.a. includes underlying JPMAAM fund expenses and underlying manager fees.
0.00% / 0.00%	June 2008	\$87.1m	
Hedging JPMAAM hedges all currency exposure back to NZ dollars.			
Redemptions			
Requests can be made on a daily basis and they will be processed within 12 working days.			

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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, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver 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 a Financial Advice Provider and the relevant Product Disclosure Statement. 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. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.