

Factsheet 31 January 2023

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	2.40%	2.37%	2.44%	3.43%	3.19%	4.98%
Benchmark ²	0.63%	1.79%	5.72%	4.24%	4.46%	4.92%

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
Credit	2	0.27%
Event Driven	4	0.62%
Long/Short Equities	7	1.60%
Macro/Opportunistic	1	0.00%
Relative Value	2	0.14%

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

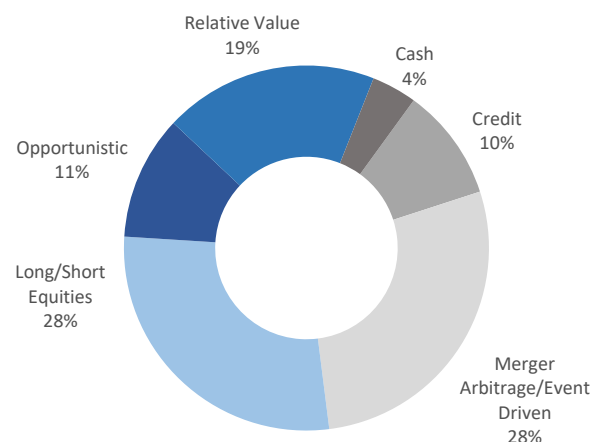
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

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)

Financial markets had a strong start to 2023 as inflation readings across the US and Europe showed slowing inflation, which strengthened market hopes that central banks can end their hiking cycles soon. The prospect of less restrictive monetary policy provided support for fixed income markets as government bond yields fell, as well as growth stocks which are also sensitive to bond yields.

Long/Short Equity Strategy – Gains were driven by concentrated conviction trades (CCTs) in IT services provider DXC, fashion company Capri, and telecom leader Liberty Global. The China-focused manager had the strongest absolute performance of all managers, posting a double digit return with economic growth starting to resume and earnings rebound in sight following the recent policy shift to loosen COVID restrictions and reopen the economy. Additional gains came from exposure to the consumer sector, led by a long position in audio streaming platform Spotify and two mobility / food delivery companies. The technology sector also had strong performance led by a long position in wireless technology company InterDigital. The European-focused manager also had a strong month despite running with low net exposure, driven by several long positions, including the German company Stroeer.

Merger Arbitrage/Event Driven Strategy – Equity-oriented CCTs benefited from the broader market rebound. The largest gains were driven by a CCT in sustainable biorefinery Green Plains as the shareholder engagement strategy progressed. The company announced a sustainable aviation joint venture with United Airlines. Transportation and logistics company CH Robinson also contributed meaningfully as the manager continues to make meaningful progress in the shareholder engagement agenda. Additional gains came from capital structure and holding company (holdco) trades, including a large position in the long Liberty Broadband / short Charter Communications holdco position where the discount to NAV is expected to continue to tighten given the temporary nature of the holdco vehicle and the share buyback plan.

Credit Strategy – While the municipal bond trading strategy delivered positive returns for the 10th consecutive month, the most meaningful returns in January were in the corporate credit and structured credit sub-strategies. Gains were led by the positions we recently sized up within structured credit: near-term maturities of high yield CDX tranches that are delivering an attractive all-in yield and should exhibit a low risk of impairment through the short maturity date.

Relative Value Strategy – The strategy made a small positive contribution to returns in January. The equity market neutral sub-strategy ended the month marginally positive while the multi-strategy portfolio delivered fragmented gains led by convertible bond arbitrage and volatility arbitrage sub-strategies.

Macro/Opportunistic Strategy – Losses in the CTA sub-strategy were balanced by gains in the quantitative macro sub-strategy, leading to a flat month overall.

At the start of 2023, we’ve adjusted the portfolio by:

- Reducing long/short equity and event driven allocations to bring down the directional equity exposure across the portfolio.
- Funding a larger allocation to attractively yielding near-term maturity structured credit securities where the market is pricing in a higher default rate than what our credit managers believe is appropriate based on their bottoms up fundamental analysis.
- Marginally increasing the allocation to the China-focused equity manager, and the exposure to onshore China A-shares in particular, to continue diversifying the sources of alpha within the long/short equity strategy and reflecting our updated strategy preference for Asia L/S equity over US and Europe L/S equity in the near-term.

Key Fund Facts		
Distributions		Estimated annual fund charges
Generally does not distribute		Wholesale: None
Buy / Sell spread:	Strategy Launch	Strategy size
0.00% / 0.00%	June 2008	\$64.1m
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.