

FACTSHEET 31 MAY 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 <sup>1</sup>	0.45%	-0.62%	2.12%	4.03%	2.96%	4.46%
Benchmark <sup>2</sup>	0.71%	2.03%	7.02%	4.69%	4.67%	5.02%

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	0.31%
Event Driven	4	0.79%
Long/Short Equities	7	0.43%
Macro/Opportunistic	1	-0.08%
Relative Value	2	0.31%

## 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.

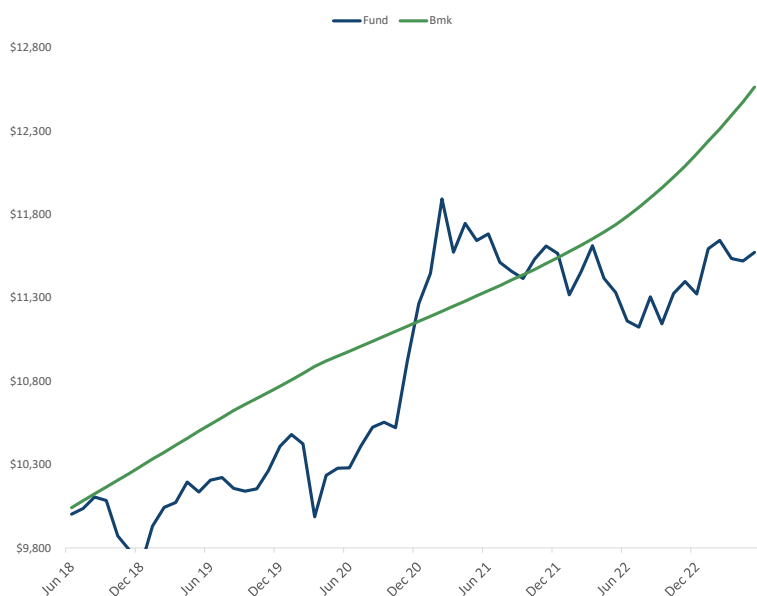
The portfolio has a diversified risk profile with low to medium volatility.

## Objective

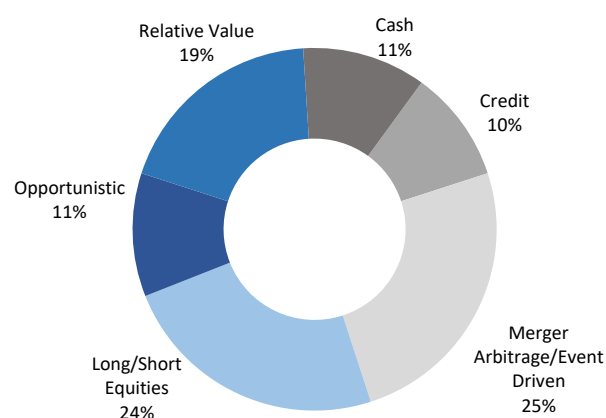
The fund aims to outperform the benchmark return before fees, expenses and taxes over a rolling three-year period.

## Five Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>

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)

Global equity markets lost steam in May as the ongoing U.S. debt ceiling negotiations kept investors jittery, China’s economic recovery faltered, and Germany slipped into recession amidst ECB’s continued hawkishness. As such, the MSCI World Index returned -0.92% over the month. Global fixed income returns also turned negative in May, with the Barclays Global Aggregate Bond Index returning -1.95%. The market’s shift to a less dovish outlook for the fed funds rate weighed on fixed income markets. At the end of May, markets were pricing out most of the rate cuts they were previously expecting by the end of 2023.

**Strategy Level Performance:**

Relative Value Strategy (Return: +1.37% / Attribution: +0.26%) – Both subadvisors contributed positively in May, with most gains driven by the equity market neutral sub-strategy. Performance in the multi-strategy portfolio was more mixed as gains from convertible bond arbitrage and Japanese equity relative value trades outpaced fragmented losses across other credit-oriented sub-strategies.

**Long/Short Equity Strategy** (Return: +1.30% / Attribution: +0.30%) – The strategy overall contributed positively in May as multiple managers benefited from broader market dynamics. Within the US, growth tech stocks outperformed as positive earnings and guidance from companies beat expectations. Tech names with exposure to artificial intelligence did especially well, including semiconductors (NVIDIA, AMD) and perceived beneficiaries (Meta, Microsoft). US markets outperformed other regions, as growth concerns in China and Europe weighed on stocks in those regions. Elsewhere in the long/short equity bucket, the China-focused manager detracted from overall returns, as Chinese equities sold off more broadly.

**Credit Strategy** (Return: +1.00% / Attribution: +0.09%) – Both credit sub-strategies delivered positive returns on the month. Municipal bond trading sub-strategy was up modestly, while larger gains in the long/short credit sub-strategy were primarily driven by tactical exposure to high yield CDX tranches Macro/Opportunistic Strategy (Return: +0.96% / Attribution: +0.10%). The strategy delivered positive returns for the month. Within the CTA sub-strategy, gains came from positioning in interest rates, currency and equities whereas within quantitative macro sub-strategy losses from long Europe equity positioning were offset by gains across currency trades.

**Merger Arbitrage/Event Driven Strategy** (Return: -1.96% / Attribution: -0.49%) – The largest strategy losses for the month stemmed from event driven, driven by losses in multiple trades within the shareholder engagement strategy, particularly within the energy and industrials sector. Losses in the multi-event driven portfolios were modest as losses in equity-oriented event trades were partially offset by meaningful gains in event-driven convertible bonds. At the end of May, the fund had 18 CCTs in the portfolio, which together contributed -0.12% for the month and +0.21% year-to-date. CCTs since January 2020 (when we began monitoring their performance separately) have contributed +6.47% to fund returns.

**Allocation Decisions:**

- Despite the resolution of the US debt ceiling debate at the end of the month, we remain cautiously positioned as recession fears continue to flare up and material pockets of the economy are missing numbers and guiding lower.
- We are selectively looking to capitalize on attractive valuations and idiosyncratic catalysts for specific areas where conviction is particularly high. For example, over the course of May we added modestly to the consumer-focused L/S equity sub-strategy. The subadvisor’s investment thesis is that several highly profitable industry leaders with strong balance sheets and high revenue growth traded down in line with unprofitable tech in 2022 but will increasingly be rewarded for their secular (rather than cyclical) growth profiles.
- Within credit, we continue to be selective and cautious on adding exposure. We are currently building exposure based on bottom-up views on a trade-by-trade basis and are waiting for credit spreads to widen further before we consider material shifts into the asset class.

**Key Fund Facts**

<b>Distributions</b>			<b>Estimated annual fund charges</b>	
Generally does not distribute			<b>Wholesale:</b> None	
<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>	<b>Management fee</b> to JPMAAM 1.95% p.a. includes underlying JPMAAM fund expenses and underlying manager fees.	
0.00% / 0.00%	June 2008	\$61.3m		
<b>Hedging</b> JPMAAM hedges all currency exposure back to NZ dollars.				
<b>Redemptions</b>				
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](http://nikkoam.co.nz).