

Factsheet 31 August 2021

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets were strong over the month with the exception of China where more regulations were announced - in particular focused on the tech sector.
- With inflation moving higher and unemployment low the Reserve Bank of New Zealand was set to raise the Official Cash Rate before a surprise COVID-19 outbreak in New Zealand put that on hold.
- The United States S&P 500 index rose 2.9%, the Japanese Nikkei 225 index gained 3.0%, the UK FTSE 100 index increased 1.2%, the Australian ASX 200 index added 2.5% and the MSCI World index ended the month up 2.4%
- The S&P/NZX Real Estate index ended the month up 4.4% but underperformed the broader market with the S&P/NZX 50 index jumping 5.0%. The Australian property index had a very strong month ending up 6.4%.

Fund Highlights

- The fund rose 4.5%, 0.2% ahead of the index return.
- A number of the fund's holdings reported earnings results for the period ending June with results generally in line or better than expected.
- Overweight positions in Summerset and Ingenia Communities and an underweight position in Kiwi Property added value.
- Overweight positions in Argosy Property and Investore Property and an underweight position in Goodman Property detracted from value.

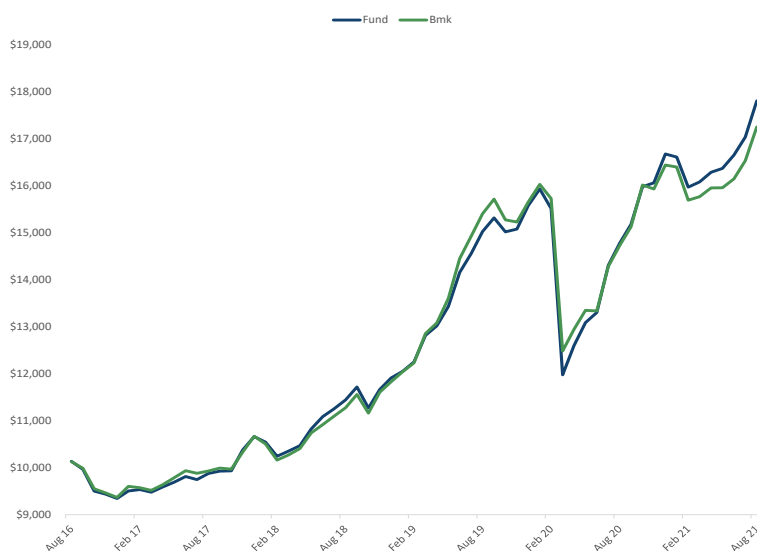
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.52%	8.78%	20.51%	15.89%	11.93%	14.21%
Benchmark ²	4.36%	8.11%	17.14%	15.24%	11.24%	13.60%

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

2. Benchmark: S&P/NZX All Real Estate Industry Group Gross with Imputation Credits Index. No tax or fees.

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



Portfolio Manager

Michael Sherrock,
Portfolio Manager



Responsible for the Property and NZ Equities Fund. Covers the Property, Energy, Materials and Retirement sectors. Nineteen years of experience within the finance industry including Schroders in the UK and ASB Group Investments in New Zealand. Michael holds a Bachelor of Commerce degree from the University of Auckland and is a CFA charter holder. Joined in 2006.

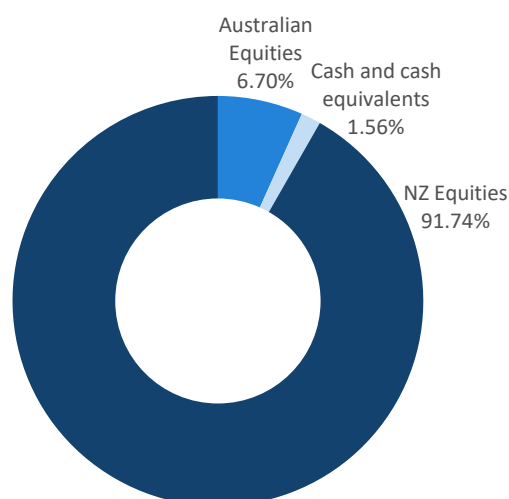
Overview

The Property Strategy provides investors with an exposure to New Zealand listed property securities and, on an opportunistic basis, Australian listed property securities from an actively managed investment portfolio.

Objective

The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three-year period.

Asset Allocation



Attribution to Performance (month)				Top 10 holdings (as at month end)			
What Helped		What Hurt					
Summerset Group Ltd	OW	Goodman Property	UW	Goodman Property Ltd	17.37%	Property For Industry Ltd	6.81%
Kiwi Property Group Ltd	UW	Argosy Property Ltd	OW	Precinct Properties Ltd	14.70%	Investore Property Ltd	6.43%
Ingenia Group	OW	Investore Property Ltd	OW	Argosy Property Ltd	13.83%	Vital Healthcare Property	4.53%
OW: overweight; UW: underweight; NH: no holding.				Stride Stapled Group	12.76%	Summerset Group Ltd	2.51%
				Kiwi Property Ltd	11.55%	Waypoint REIT	1.75%
				Number of holdings			16

Market Commentary

Global equity markets were strong over the month with the exception of China where more regulations were announced - in particular focused on the tech sector. Despite the spread of the Delta variant of COVID-19 around the world the vaccine rollout has enabled more freedom in many countries. With inflation moving higher and unemployment low the Reserve Bank of New Zealand was set to raise the Official Cash Rate before a surprise COVID-19 outbreak in New Zealand put that on hold. Earnings results in New Zealand for the period ending June were good but with the COVID-19 outbreak the near-term outlook is uncertain.

Fund Commentary

The fund ended the month up 4.5% and 0.2% ahead of the index which was up 4.4%. The largest positive contributors to relative return were overweight positions in **Summerset (SUM)** and **Ingenia Communities (INA)** and an underweight position in **Kiwi Property (KPG)**. SUM rose 17.1% after reporting a very strong half year result and a better-than-expected build rate for the year. INA also reported a better-than-expected result, ahead of its recently provided guidance and ended the month up 12.0% (in AUD). KPG fell 0.4% as investors weigh up the impact of the lockdown on its rent collection, in particular its retail properties.

The largest detractors from relative performance were overweight positions in **Argosy Property (ARG)** and **Investore Property (IPL)** and an underweight position in **Goodman Property (GMT)**. While ARG rose 1.2% it was behind the index return and as a result the fund's overweight position detracted from relative performance. Despite IPL upgrading its distribution guidance and announcing an acquisition it fell 0.5% in over the month. GMT announced the acquisition of a large parcel of development land near Auckland Airport for \$75m and rose 7.2%.

Key portfolio changes during the month included adding to the funds **Precinct Properties (PCT)** position while making a small reduction to INA. The funds position in Ryman Healthcare (RYM) was divested.

(**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Distributions

Calendar quarter

Estimated annual fund charges

Wholesale: negotiated outside of fund

Hedging

Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%.

Currently the fund's foreign currency exposure is 95.3% hedged.

Buy / Sell spread:

0.20% / 0.20%

Strategy Launch

February 2010

Strategy size

\$45.9m

Compliance

The fund complied with its investment mandate and trust deed during the month

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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