

Factsheet 31 January 2022

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Global equity markets sold off aggressively over January as inflation prints continue to be high increasing the likelihood of central banks raising cash rates.
- The United States S&P 500 index fell 5.3%, the Japanese Nikkei 225 index lost 6.2%, the UK FTSE 100 index gained 1.1%, the Australian ASX 200 index declined 6.4% and the MSCI World index ended the month down 6.1%.
- The S&P/NZX Real Estate index ended the month down 4.7% and outperformed the broader market with the S&P/NZX 50 index falling 8.8%. The Australian property index had a weak month, down 9.5%.

## Fund Highlights

- The fund declined 5.3%, 0.6% behind the index return.
- Underweight positions in Property for Industry and Kiwi Property and an overweight position in Waypoint REIT added value.
- Overweight positions in Summerset and Dexus Industria REIT and an underweight position in Vital Healthcare detracted from value.

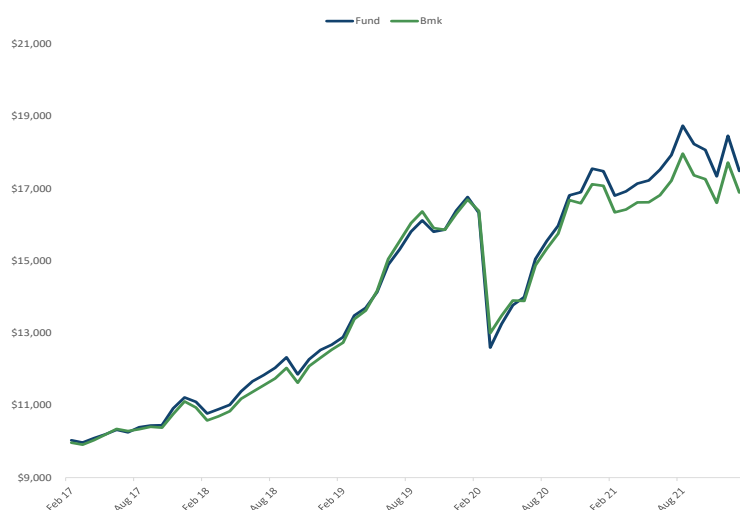
## Performance

|                        | One month | Three months | One Year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale <sup>1</sup> | -5.28%    | -3.23%       | 0.04%    | 11.31%            | 11.83%           | 12.83%          |
| Benchmark <sup>2</sup> | -4.67%    | -2.13%       | -1.09%   | 10.44%            | 11.05%           | 12.32%          |

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<sup>1, 2</sup>



## 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.

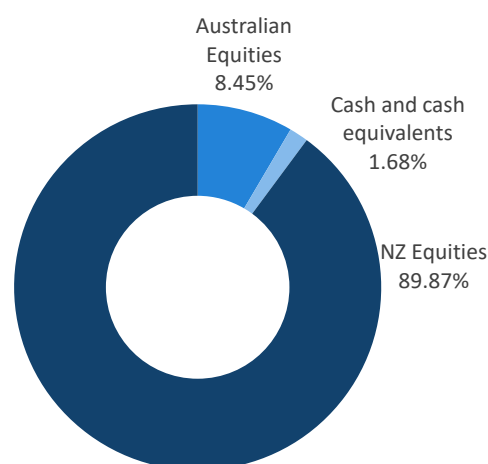
## Overview

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        |    |                                   |        |                           |           |
| Property for Industry                            | UW | Vital Healthcare | UW | Goodman Property Ltd              | 16.89% | Property for Industry Ltd | 6.76%     |
| Kiwi Property Ltd                                | UW | Summerset Ltd    | OW | Precinct Properties Ltd           | 14.89% | Investore Property Ltd    | 6.24%     |
| Waypoint REIT                                    | OW | Dexus Industria  | OW | Argosy Property Ltd               | 12.70% | Vital Healthcare Property | 5.35%     |
| OW: overweight; UW: underweight; NH: no holding. |    |                  |    | Kiwi Property Ltd                 | 12.16% | Summerset Ltd             | 2.20%     |
|  |    |                  |    | Stride Stapled                    | 11.14% | Centuria Industrial       | 2.06%     |
|  |    |                  |    | <b>Number of holdings</b>         |        |                           | <b>18</b> |

## Market Commentary

Global equity markets sold off aggressively over January as inflation prints continue to be high, increasing the likelihood of central banks raising cash rates earlier than initially expected. The rapid spread of the Omicron COVID-19 variant has also had an impact on markets albeit countries are at differing stages of the spread. Restrictions were placed on New Zealanders, moving to the red light setting of our response framework. In addition, tensions between Russia and the West around Ukraine escalated. A watchful eye will be kept on property valuers' response to rising rates and the potential negative flow through to values. The positive side of high inflation is where rents are linked to CPI which will flow through to higher rent for landlords.

## Fund Commentary

The fund ended the month down 5.3% and 0.6% behind the index which was down 4.7%. The largest positive contributors to relative return were underweight positions in **Property for Industry** (PFI) and **Kiwi Property** (KPG) and an overweight position in **Waypoint REIT** (WPR). PFI fell 7.2% while KPG fell 5.0%, both on no material news. WPR announced a 4.0% valuation uplift for the six months ended December and fell 4.2% (in AUD) over the month.

The largest detractors from relative performance were overweight positions in **Summerset** (SUM) and **Dexus Industria REIT** (DXI) and an underweight position in **Vital Healthcare** (VHP). Despite SUM having good unit sales numbers over the year and a positive outlook, it continues to be impacted by sentiment around the housing market. SUM ended the month down 10.8%. DXI fell 11.1% (in AUD) on no specific news, but was dragged down broadly in line with the sell-off in Australian property stocks. Despite falling 1.3%, VHP outperformed the index return and resulted in our underweight position negatively impacting on relative returns.

Activity was light during January with the key portfolio change being the inclusion of **Charter Hall** (CHC) to the portfolio.

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

## Key Fund Facts

**Distributions** Calendar quarter

**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 92.1% hedged.

**Exclusions** Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

**Restrictions** Tobacco stocks, 'controversial weapons', fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

**Estimated annual fund charges**

Wholesale: negotiated outside of fund

|                           |                        |                      |
|---------------------------|------------------------|----------------------|
| <b>Buy / Sell spread:</b> | <b>Strategy Launch</b> | <b>Strategy size</b> |
| 0.20% / 0.20%             | February 2010          | \$42.6               |

## Compliance

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

## Contact Us

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