

Factsheet 31 October 2022

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- All major global equity markets aside from China's ended the month in positive territory albeit were volatile within the period.
- The United States S&P 500 index rose 8.0%, the Japanese Nikkei 225 index added 6.4%, the UK FTSE 100 index gained 2.9%, the Australian ASX 200 index increased 6.0% and the MSCI World index ended the month up 6.1%.
- The S&P/NZX Real Estate index ended the month down 1.7% and behind the broader market with the S&P/NZX 50 index gaining 2.5%. The Australian property index rose 9.9%.

Fund Highlights

- The fund fell 0.5%, 1.2% ahead of the index return.
- It was a quiet month for news-flow for the fund's holdings.
- A number of the fund's holdings will report earnings for the period ended September in November.
- KPG reported a draft portfolio revaluation which saw a 5.8% decline.
- Overweight positions in Waypoint REIT and Centuria Industrial REIT and an underweight position (nil holding) in Winton Land added value. Underweight positions in Property for Industry and Goodman Property and an overweight in Stride Property detracted from value.

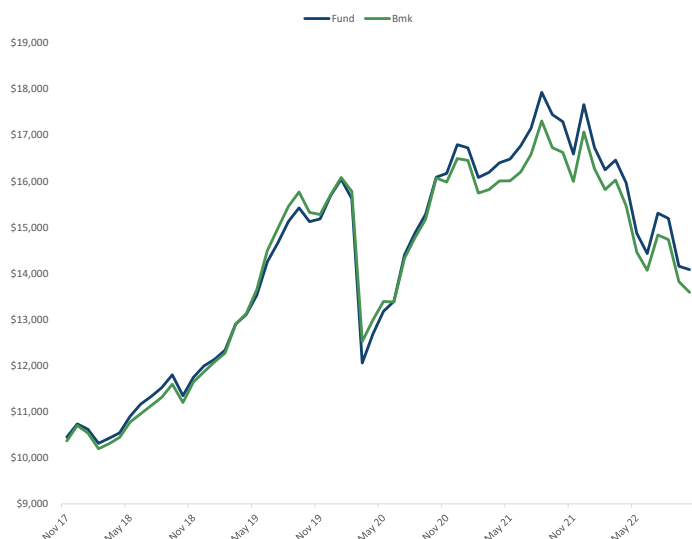
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.50%	-8.00%	-18.55%	-2.35%	7.09%	9.08%
Benchmark ²	-1.65%	-8.38%	-18.25%	-3.92%	6.33%	8.55%

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 sectors. Experienced 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.

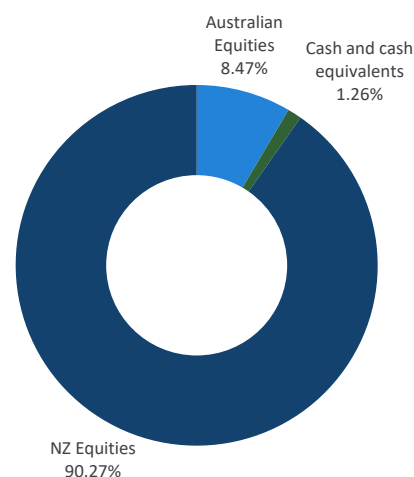
Overview

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 (% of fund)			
What Helped		What Hurt					
Waypoint REIT	OW	Property for Industry	UW	Goodman Property Trust	18.17%	Vital Healthcare Property	8.03%
Centuria Industrial Reit	OW	Goodman Property	UW	Precinct Properties New	13.06%	Property for Industry	7.96%
Winton Land Ltd	UW	Stride Property Group	OW	Kiwi Property Group	12.08%	Investore Property	6.76%
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Limited	12.04%	Waypoint REIT Fully Paid	1.96%
				Stride Stapled Grp	10.54%	Centuria Industrial	1.58%
				Number of holdings			17

Market Commentary

Aside from the Chinese market, global equity markets were strong over the month although on a year-to-date basis are still down materially. The tech focused Nasdaq stands out, down 29.8% so far this year. Inflation and the response from central banks continues to be the main focus for markets. Inflation is showing no sign of slowing its rate of growth, in fact increasing for a number of economies. Cash rates were increased by the key central banks that had meetings during the month and that will continue in November with hikes expected from the US Federal Reserve, Bank of England and the Reserve Banks of Australia and New Zealand.

Fund Commentary

The fund ended the month down 0.5% and 1.2% ahead of the index which was down 1.7%. The largest positive contributors to relative return were overweight positions in **Waypoint REIT (WPR)** and **Centuria Industrial REIT (CIP)** and an underweight position (nil holding) in **Winton Land (WIN)**. Following a weak month in September, Australian property stocks bounced back strongly in October partly assisted by the smaller than expected increase in the Australian official cash rate. WPR and CIP rose 15.2% and 17.0% (in AUD) respectively. WIN has issued proceedings in the High Court against government department Kainga Ora who WIN claim are being anti-competitive and are holding up a large development that WIN has planned. WIN fell 17.5% over the month.

The largest detractors from relative performance were underweight positions in **Property for Industry (PFI)** and **Goodman Property (GMT)** and an overweight in **Stride Property (SPG)**. There was no specific news driving PFI, GMT or SPG. A strong last day of the month for PFI and GMT saw them up 2.7% and 3.5% respectively while SPG ended the month down 4.2%.

Only minor changes were made to the portfolio over the month with positions in **WPR, GMT** and **Kiwi Property (KPG)** reduced.

(**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 95.6% hedged.

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

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

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$34m

Compliance

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

Contact Us

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