

Factsheet 28 February 2023

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets were mixed during February with earnings results impacting stock movements along with a push higher in bond yields.
- The United States S&P 500 index fell 2.3%, the Japanese Nikkei 225 index added 0.4%, the UK FTSE 100 index gained 1.4%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.6%.
- The S&P/NZX Real Estate index ended the month up 1.6% and ahead of the broader market with the S&P/NZX 50 index down 0.6%. The Australian property index lost 0.4%.

Fund Highlights

- The fund rose 0.6%, 1.0% behind the index return.
- A number of the fund's holdings reported earnings for the period ended December.
- Underweight positions in Kiwi Property and Vital Healthcare and an overweight position in Asset Plus added value. Overweight positions in Ingenia Communities and Argosy Property and an underweight position in Precinct Properties detracted from value.

Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.57%	0.96%	-12.34%	-3.03%	6.68%	8.78%
Benchmark ²	1.62%	1.55%	-13.05%	-4.48%	6.17%	8.28%

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, \$1,000 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 Nikko in 2006.

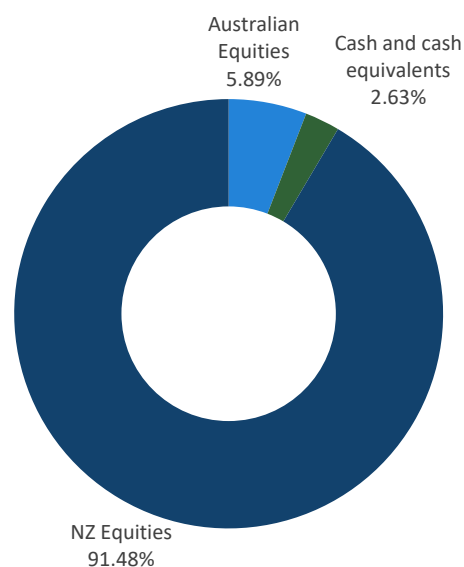
Overview

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					
Kiwi Property Group	UW	Ingenia Communities	OW	Goodman Property Trust	18.73%	Vital Healthcare Property	8.28%
Vital Healthcare Property	UW	Precinct Properties	UW	Precinct Properties Ltd	13.54%	Property for Industry	7.48%
Asset Plus Ltd	OW	Argosy Property Ltd	OW	Kiwi Property Group	12.40%	Investore Property	6.48%
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Limited	12.39%	Waypoint REIT	1.95%
				Stride Stapled	9.19%	Ingenia Communities	1.54%
				Number of holdings			16

Market Commentary

Global equity markets were mixed during February with earnings results impacting stock movements along with a push higher in bond yields. Key central banks lifted cash rates during the month as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to, or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. In results we have seen good revenue growth but offset by increased operating expenses and interest costs. For property stocks we have seen the start of capitalisation rate expansion and property values falling.

Fund Commentary

The fund ended the month up 0.6% but 1.0% behind the index which was up 1.6%. The largest positive contributors to relative return underweight positions in **Kiwi Property** (KPG) and **Vital Healthcare** (VHP) and an overweight position in **Asset Plus** (APL). After jumping 5% in January, KPG gave most of the increase up in February and ended the month down 3.1%. VHP reported a 5% reduction in net tangible assets on the back of currency movements and property devaluation. VHP ended the period down 0.6%. APL which trades materially below asset backing rose 10% on no specific news.

The largest detractors from relative performance were overweight positions in **Ingenia Communities** (INA) and **Argosy Property** (ARG) and an underweight position in **Precinct Properties** (PCT). INA fell 13.2% (in AUD) after downgrading earnings guidance due to lower home deliveries in the period. ARG dropped 3.0% as it was impacted from the removal of a MSCI index. PCT rose 6.0% assisted by an earnings result where it reconfirmed its dividend. It was also pushed higher on the last day of the month as index movements played a part.

Portfolio changes over the month included adding Ryman Healthcare to the fund along with adding to its position in ARG. A small reduction was made to the funds position in PCT.

(**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 93.2% hedged.

Exclusions Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).

Restrictions Tobacco stocks, 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	\$34.2m

Compliance

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

Contact Us

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

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.