

Factsheet 30 April 2023

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets continued their strong start to the year with all key indices moving higher apart from the Chinese market.
- The United States S&P 500 index rose 1.5%, the Japanese Nikkei 225 index added 2.9%, the UK FTSE 100 index gained 3.1% the Australian ASX 200 index increased 1.9% and the MSCI World index ended the month up 1.4%.
- The S&P/NZX Real Estate index ended the month up 0.1% and behind the broader market with the S&P/NZX 50 index up 1.1%. The Australian property index had a very strong month up 5.2%.

Fund Highlights

- The fund rose 0.4%, 0.3% ahead of the index return.
- It was a quiet month for news flow ahead of May when a number of the fund's holdings will report results for the period ending March.
- Argosy and Stride both released preliminary revaluations and as expected valuations are down on the back of higher capitalisation rates.
- Overweight positions in Ingenia Communities and Dexus Industria REIT and an underweight position in Precinct Properties added value. Overweight positions in Stride Property and NZ Rural Land Co. and 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	0.40%	-0.45%	-11.69%	3.60%	5.99%	8.03%
Benchmark ²	0.10%	0.64%	-11.91%	1.61%	5.47%	7.56%

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,

Co-Head of Equities

Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals & Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charter-holder and holds a Bachelor of Commerce degree from the University of Auckland. Joined Nikko in 2006.



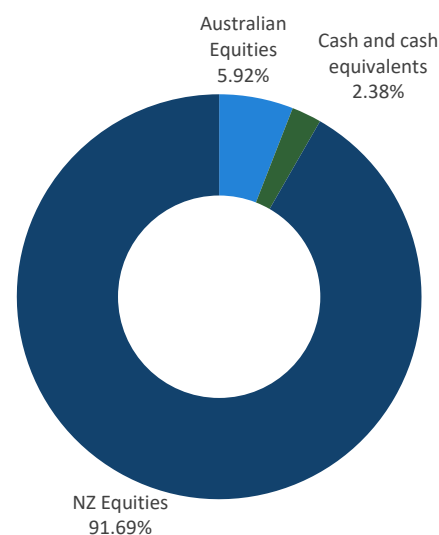
Overview

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					
Ingenia Communities	OW	Goodman Property	UW	Goodman Property Trust	18.92	Vital Healthcare Property	8.43
Precinct Properties	UW	NZ Rural Land Co.	OW	Precinct Properties Ltd	13.47	Property for Industry	7.56
Dexus Industria REIT	OW	Stride Property	OW	Argosy Property Limited	12.47	Investore Property	6.44
OW: overweight; UW: underweight; NH: no holding.				Kiwi Property Group Ltd	12.40	Waypoint REIT	1.88
				Stride Property	8.90	Ingenia Communities	1.68
				Number of holdings			17

Market Commentary

Global equity markets continued their strong start to the year with all key indices moving higher apart from the Chinese market. Markets are forward looking and while they are pricing in rate hikes from most central banks in the near term, by the end of the year rate cuts are being priced in. This, along with a good reporting season in the United States has supported equity markets. Inflation globally has been drifting down albeit it remains at very elevated levels. New Zealand inflation for the March quarter came in lower than expected at 6.7% but non-tradable inflation was 6.8%, the highest since the series began in 1999. The New Zealand Reserve Bank surprised the market by hiking the Official Cash Rate by 0.5% compared to expectations of a 0.25% increase. For property stocks we continue to see capitalisation rate expansion and property values falling.

Fund Commentary

The fund ended the month up 0.4% and 0.3% ahead of the index which was up 0.1%. The largest positive contributors to relative return were overweight positions in **Ingenia Communities** (INA) and **Dexus Industria REIT** (DXI) and an underweight position in **Precinct Properties** (PCT). With Australian residential house prices and volumes appearing to have bottomed and strong migration, residential exposed stocks performed well over the month. On the back of this INA rose 13.3% (in AUD). DXI was dragged along by the strength in the sector and ended the month up 5.3% (in AUD) on no specific news. PCT announced its intention to convert to a stapled security structure and ended the period down 2.4%. PCT could potentially be removed from an MSCI Index and this will no doubt weigh on the stock performance.

The largest detractors from relative performance were overweight positions in **Stride Property** (SPG) and **NZ Rural Land Co.** (NZL) and underweight position in **Goodman Property** (GMT). SPG fell 1.5% over the month after announcing its draft revaluation for the six months ending March which saw its portfolio decline in value by \$39.1m or 3.4%. NZL announced a further forestry land acquisition and continues to digest its recent capital raising, ending the period down 8.3%. GMT rose 2.1% on no specific news.

Portfolio changes over the month included adding to its positions in **PCT** while small reductions were made to its positions in **Argosy Property** (ARG) and GMT. (**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%.

Buy / Sell spread: 0.20% / 0.20% **Strategy Launch** February 2010 **Strategy size** \$33.3m

Currently the fund's foreign currency exposure is 97.7% 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>.

Compliance

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

Contact Us

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