

FACTSHEET 30 JUNE 2023

# NIKKO AM PROPERTY STRATEGY

Applies to the Nikko AM Wholesale Property Fund

## Market Overview

- While global equity markets were mostly positive over the quarter, there was quite a large range in returns driven by stock specific events, economic data and interest rate movements.
- The United States S&P 500 index rose 8.3%, the Japanese Nikkei 225 index jumped 18.4%, the UK FTSE 100 index fell 1.3% the Australian ASX 200 index gained 1.0% and the MSCI World index ended the quarter up 6.6%.
- The S&P/NZX Real Estate index ended the quarter up 3.2% and ahead of the broader market with the S&P/NZX 50 index up 0.4%. The Australian property index rose 3.2%.

## Fund Highlights

- The fund rose 3.7%, 0.5% ahead of the index return.
- A number of the fund's holdings reported results for the period ended 31 March.
- Overweight positions in Ryman Healthcare, Arvida and Stride Property added value.
- Overweight positions in NZ Rural Land Co. and Dexus Industria REIT 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 <sup>1</sup>	3.41%	3.68%	0.89%	2.82%	5.46%	8.86%
Benchmark <sup>2</sup>	3.77%	3.23%	-0.14%	1.64%	5.11%	8.30%

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

2. Benchmark: from 1/6/2023 S&P/NZX All Real Estate Sector 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,**  
**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.



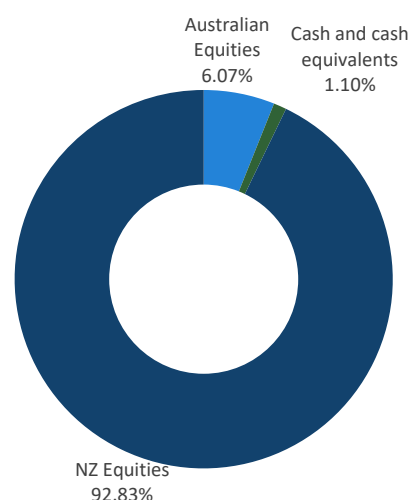
## Overview

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 (quarter)				Top 10 holdings (% of fund)			
What Helped		What Hurt					
Ryman Healthcare	OW	Goodman Property	UW	Goodman Property Trust	18.93	Vital Healthcare Property	8.42
Arvida Group	OW	NZ Rural Land	OW	Precinct Properties	14.07	Property for Industry	7.65
Stride Property	OW	Dexus Industria REIT	OW	Kiwi Property Group	12.82	Investore Property	6.34
OW: overweight; UW: underweight; NH: no holding.				Argosy Property	11.55	Waypoint REIT	1.87
				Stride Property	9.64	Ingenia Communities	1.37
				<b>Number of holdings</b>			<b>18</b>

## Market Commentary

Global equity markets were mostly positive over the quarter with earnings results affecting specific stocks while interest rate moves and economic data drove the broader market. On monetary policy, most key central banks raised rates over the quarter with the US Federal Reserve, the European Central bank, the Bank of England, the Bank of Canada, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates. Several of the rate increases were unexpected by the market either being more than expected or raising when not expected to at all. The RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate. The property results released during the quarter showed valuations declining on higher capitalisation rates. Portfolio metrics remain solid with low vacancy and good rental growth which goes some way to offsetting higher interest costs.

## Fund Commentary

The fund ended the quarter up 3.7% and 0.5% ahead of the index which was up 3.2%. The largest positive contributors to relative return were overweight positions in **Ryman Healthcare** (RYM), **Stride Property** (SPG) and **Arvida** (ARV). RYM, rose 25.3% on the back of a better-than-expected result along with improving housing market sentiment. SPG’s result showed a good track to reducing gearing, an area that the market was somewhat concerned about and as a result SPG ended the quarter up 8.6%. Also assisted by improving housing market sentiment, ARV rose 38.1%.

The largest detractors from relative performance were overweight positions in **NZ Rural Land Co.** (NZL) and **Dexus Industria REIT** (DXI) and an underweight position in **Goodman Property** (GMT). NZL suffered from absorbing an equity raising to fund forestry land assets and ended the quarter down 9.3%. Despite reporting asset revaluations roughly as expected, DXI fell 1.1%. GMT rose 4.5% following a result that showed the continued demand for good industrial property.

Portfolio changes over the quarter included adding to its positions in **Precinct Properties** (PCT), **Stride Property** (SPG) and **Kiwi Property** (KPG) while small reductions were made to its positions in **Ingenia Communities** (INA), **Argosy Property** (ARG) and GMT. **Charter Hall Group** (CHC) was added to the fund during the quarter. (**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 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>.

**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	\$33.8m

## Compliance

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

## Contact Us

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