

Factsheet 31 August 2023

NIKKO AM PROPERTY STRATEGY

Applies to the Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets struggled over the month as sticky inflation saw bond yields spike and central banks push out the timing of interest rate cuts.
- The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 declined 1.7%, the UK FTSE 100 index dropped 3.4%, the Australian ASX 200 index lost 0.7% and the MSCI World index ended the month down 2.1%.
- The S&P/NZX Real Estate index had a weak month, down 6.5%, well behind the broader market with the S&P/NZX 50 down 4.2%. The Australian property index had a relatively strong month, up +2.2%.

Fund Highlights

- The fund fell 6.0%, ahead of the index which was down 6.4%.
- During the month a number of the fund's holdings reported results for the period ending June.
- Overweight positions in Ingenia Communities and Dexus Industria REIT and an underweight position in Precinct Properties added value. An overweight position in Investore and underweight positions in Goodman Property and Winton Land (nil holding) detracted from value.

Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-5.99%	1.43%	-5.99%	-1.35%	4.39%	8.37%
Benchmark ²	-6.39%	1.41%	-6.80%	-2.42%	3.95%	7.82%

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^{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.



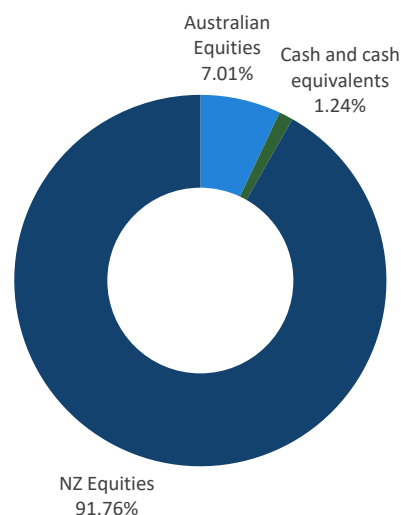
Overview

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	Investore Property	OW	Goodman Property	18.54	Vital Healthcare	9.16
Dexus Industria REIT	OW	Goodman Property	UW	Precinct Properties	13.37	Property for Industry	7.56
Precinct Properties	UW	Winton Land	NH	Kiwi Property	12.74	Investore Property	5.41
OW: overweight; UW: underweight; NH: no holding.				Argosy Property	12.24	Waypoint REIT	1.75
				Stride Property	9.49	Dexus Industria REIT	1.44
				Number of holdings			18

Market Commentary

Global equity markets struggled over the month as sticky inflation saw bond yields spike and central banks push out the timing of interest rate cuts. In its August Monetary Policy Statement (MPS), the Reserve Bank of New Zealand has pushed out its expectations for rate cuts from late 2024 to early 2025, about six months later than it had signalled at its May MPS. The New Zealand company earnings results saw most meet expectations, but the disappointment came in the outlook statements which were impacted by continued operating cost inflation and interest rate impacts. With the New Zealand general election around six weeks away we are getting policy releases from the political parties. One policy that is seems likely to be put in place regardless of who wins is the removal of depreciation for tax purposes from commercial buildings. This has led to the listed property vehicles selling off over August.

Fund Commentary

The largest positive contributors to the funds relative return were overweight positions in **Ingenia Communities (INA)** and **Dexus Industria REIT (DXI)** and an underweight position in **Precinct Properties (PCT)**. INA rose 3.7 (in AUD) after announcing a result and outlook that was a touch better than expected. DXI reported a result in line with expectations and ended the month up 3.7%. PCT fell 8.6% as it was impacted by the tax policies released by political parties which will see depreciation on buildings not allowed for tax purposes.

The largest detractors from relative performance was an overweight position in **Investore Property (IPL)** and underweight positions in **Goodman Property (GMT)** and **Winton Land (WIN)** (nil holding). Both GMT and IPL were impacted by the announced tax policies. GMT fell 4.2% while IPL fell 16.1%. Due to WIN mainly being a land developer it has very little exposure to the announced tax policies and rose 0.9%.

Portfolio changes over the month included adding **Centuria Industrial REIT (CIP)** to the portfolio along with small reductions to **Precinct Properties (PCT)** and **Stride Property (SPG)**.

(**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%. Currently the fund’s foreign currency exposure is 97.7% hedged.	Buy / Sell spread: 0.20% / 0.20%
	Strategy Launch February 2010
	Strategy size \$34.8m
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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