

# Nikko AM Property Strategy

Monthly Update 31 October 2023

Applies to the Nikko AM Wholesale Property Fund.

## Market Overview

- Global equity markets dropped over the month as economic data and the Gaza conflict drove bond yields higher.
- The United States S&P 500 index fell 2.2%, the Japanese Nikkei 225 declined 3.1%, the UK FTSE 100 index dropped 3.8%, the Australian ASX 200 index lost 3.8% and the MSCI World index ended the month down 2.7% (in local terms).
- The S&P/NZX Real Estate index fell 4.6% and marginally ahead of the broader market with the S&P/NZX 50 down 4.8%. The Australian property index ended the month down 5.7%.

## Fund Highlights

- The fund fell 4.6%, inline with the index return.
- A number of the New Zealand listed property securities report results for the period ending September in November. Ahead of this preliminary valuations have been released which shows portfolio valuation declines on the back of higher capitalisation rates.
- Underweight positions in Property for Industry and Kiwi Property and an overweight position in Stride Property added value. Overweight positions in Investore Property, Garda Property and Ryman Healthcare detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	-4.62%	-13.30%	-6.48%	-6.45%	3.03%	7.73%
<b>Benchmark<sup>2</sup></b>	-4.62%	-13.48%	-6.63%	-7.57%	2.53%	7.37%

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

2. Benchmark: Benchmark: from 1/6/2023 S&P/NZX All Real Estate Sector Group Gross with Imputation Credits Index. No tax or fees.

## Portfolio Manager

**Michael Sherrock,  
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals and 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 charterholder 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.

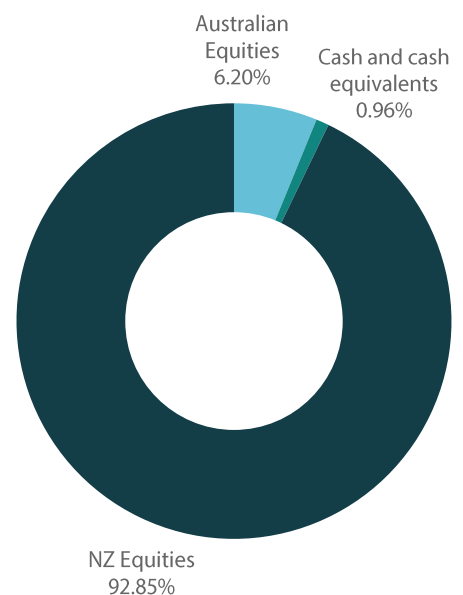
## Objective

The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three-year period.

## Five Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>



## Asset Allocation



Attribution To Performance			
What Helped:		What Hurt:	
Stride Property	OW	Investore Property	OW
Property For Industry	UW	Garda Property	OW
Kiwi Property	UW	Ryman Healthcare	OW

OW: overweight; UW: underweight; NH: no holdings

Top 10 Holdings (% of fund)			
Goodman Property	19.09	Vital Healthcare Property	9.06
Precinct Properties	12.75	Property for Industry	7.29
Kiwi Property	12.54	Investore Property	5.52
Argosy Property	11.95	Waypoint REIT	1.63
Stride Property	10.37	Ingenia Communities	1.44
		<b>Number of holdings</b>	<b>20</b>

## Market Commentary

Global equity markets dropped over the month as economic data and the Gaza conflict drove bond yields higher. In Australia a higher-than-expected consumer price index figure and strong retail sales led to the market starting to price in an increase in their cash rate. In the United States a good Gross Domestic Product number was reported while in Europe the European Central Bank left their cash rate unchanged but spoke to rates needing to be high for a prolonged period. All of this, along with a flight to quality and safety due to the Gaza conflict, saw the US 10-year bond end the month at 4.93%, up more than 1% since the start of the year. Similar moves have been seen in the NZ and Australian 10-year rates with them ending the month at 5.55% and 4.92% respectively.

## Fund Commentary

The largest positive contributors to the fund's relative return were underweight positions in **Property for Industry** (PFI) and **Kiwi Property** (KPG) and an overweight position in **Stride Property** (SPG). The big move up in bond yields led to a number of property securities falling on no specific material news. PFI and KPG were both stocks that had no material news, falling 6.2% and 8.3% respectively. SPG reported a 4.7% property portfolio decline for the six months ending September. A strong performance on the last day of the month saw SPG up 7.1% for the period.

The largest detractors from relative performance were positions in **Investore Property** (IPL), **Garda Property** (GDF) and **Ryman Healthcare** (RYM). IPL announced a 6.6% property portfolio decline for the six months ending September and IPL declined 10.2% over the month. GDF announced that they had conditionally sold two properties below book value and along with the weak property sector performance, fell 13.1%. RYM lost 10.0% over the month on no specific news.

Portfolio changes over the month included adding **Summerset** (SUM) to the portfolio along with small reductions **Precinct Properties** (PCT) and PFI.

(**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Hedging:</b> 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 101.2% hedged.	<b>Strategy Launch:</b>	February 2010
<b>Wholesale:</b>	Negotiated outside of the unit price.		<b>Strategy size:</b>	\$31.6m
<b>Distributions:</b>		<b>Exclusions:</b> Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Buy / Sell spread:</b>	0.20%/0.20%
<b>Wholesale:</b>	Calendar quarter			
		<b>Restrictions:</b> Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .		

## Compliance

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

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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