

Nikko AM Property Strategy

Monthly Update 31 March 2024

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets continued their recent strong run with inflation moving in the right direction giving comfort that rate increases were at an end.
- The United States S&P 500 index rose 10.2%, the Japanese Nikkei 225 jumped 20.6%, the UK FTSE 100 index gained 2.8%, the Australian ASX 200 index increased 5.3% and the MSCI World index ended the quarter up 9.5% (in local terms).
- The S&P/NZX Real Estate index was largely flat over the quarter, falling -0.1%, behind the S&P/NZX 50 index return of +3.1%. In contrast, the Australian property index (ASX300) had a strong quarter up +16.2%.

Fund Highlights

- The fund was largely flat over the quarter, although it slightly outperformed the property index.
- It was a busy quarter with a number of companies reporting earnings for the period ending December and others updating their earnings guidance for the March reporting period.
- Haumi, which held approximately 238m shares in Precinct Properties, sold its entire stake at \$1.10/share, an 8.3% discount to where Precinct traded prior to the sell down.
- Overweight positions in Ingenia Communities and Dexus Industria REIT, and an underweight position in Precinct Properties added value. Overweight positions in Ryman Healthcare and Stride Property detracted from value, as did an underweight position in Property for Industry.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	3.89%	0.04%	4.89%	-3.11%	2.68%	8.76%
Benchmark²	3.85%	-0.07%	4.34%	-3.54%	1.94%	8.42%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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

Owen Batchelor,
Portfolio Manager

Owen joined Nikko in 2020 and covers the Utilities, Healthcare, Infrastructure and Property sectors.



Owen has over 10 years' experience in the finance industry, most recently covering listed property at Jarden in New Zealand. Owen holds a Bachelor of Commerce and a Bachelor of Science from Victoria University.

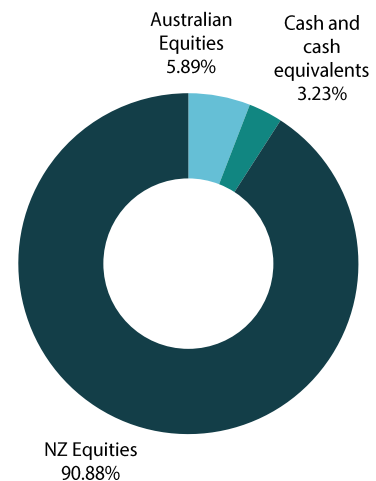
Overview

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				Top 10 Holdings (% of fund)			
What Helped:		What Hurt:		Goodman Property	18.48	Vital Healthcare Property	8.91
Ingenia Communities	OW	Ryman Healthcare	OW	Precinct Properties	13.43	Property for Industry	7.36
Dexus Industria REIT	OW	Property for Industry	UW	Kiwi Property	12.66	Investore Property	5.26
Precinct Properties	UW	Stride Property	OW	Argosy Property	11.13	Waypoint REIT	1.79
OW: overweight; UW: underweight; NH: no holdings				Stride Stapled	9.44	Ingenia Communities	1.75
						Number of holdings	18

Market Commentary

After a very strong end to 2023 equity markets continued their move higher - assisted by inflation in most economies moving in the right direction, giving comfort that interest rate increases were at an end. While the next move is down for rates by the Federal Reserve, strength in the US economy leaves the timing of the rate cut in question. The Reserve Bank of New Zealand left the OCR at 5.5% when it released its Monetary Policy Statement late in February which was more dovish than expected, moving NZ Government bond yields slightly lower over the back half of the quarter. Despite this, all NZ listed property stocks moved lower, other than the two industrial-focused names (Goodman Property and Property for Industry).

Fund Commentary

The largest positive contributors to the fund's relative return over the quarter were overweight positions in **Ingenia Communities** (INA) and **Dexus Industria REIT** (DXI) and an underweight position in **Precinct Properties** (PCT). INA performed well post its strong 1H24 result announced in February, up +18.8% (in AUD) over the quarter. DXI also performed well, up +12.7% (in AUD) after reporting a solid first half result, which included an increase in occupancy at its Brisbane Technology Park property which has had relatively low occupancy for some time. The PCT share price has been weak over the quarter, down 2.6%, following a major cornerstone shareholder divesting a large block of stock in early March.

The largest detractors from relative performance over the quarter were overweight positions in **Ryman Healthcare** (RYM) and **Stride Property** (SPG), as well as an underweight position in **Property for Industry** (PFI). RYM announced a downgrade to its guidance for the period ending March, with new unit sales in several villages running behind expectations. The issue is due to not having the amenities that come along with the main building not being available, which slows sales. RYM ended the quarter down -22.9%. SPG fell -4.6% on no specific news, while PFI rose 5.5% following the release of its FY23 result in February.

Portfolio changes over the quarter included reducing positions in SPG and Argosy Property, as well as adding to positions in PCT via participating in a sell-down by a cornerstone investor in March.

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

Key Fund Facts

Estimated annual fund charges (incl. GST)		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 96.7% hedged.	Strategy Launch:	February 2010
Wholesale:	Negotiated outside of the unit price.	Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$32.8m
Distributions:		Restrictions:	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/institutional .	Buy / Sell spread:	0.20%/0.20%
Wholesale:	Calendar quarter				

Compliance

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

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