

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Equity markets globally were mixed with COVID-19 still dominating news along with the inauguration of President Biden.
- The United States S&P 500 index fell 1.1%, the Japanese Nikkei 225 index gained 0.8%, the UK FTSE 100 index lost 0.8%, the Australian ASX 200 index added 0.3% and the MSCI World index ended the month down 0.2%.
- The S&P/NZX Real Estate index lost 0.3% and underperformed the broader market with the S&P/NZX 50 index up 0.3%. The Australian property index ended the month down 4.1%.

Fund Highlights

- The fund declined 0.4%, 0.1% behind the benchmark return.
- News flow was relatively light over the month although Summerset did report strong sales volumes for the December quarter and Kiwi Property also report strong sales at its retail properties.
- Underweight positions in Goodman Property and Precinct Properties and an overweight position in Investore Property added value. Overweight positions in Waypoint and Argosy Property and an underweight position in Kiwi Property detracted from value.

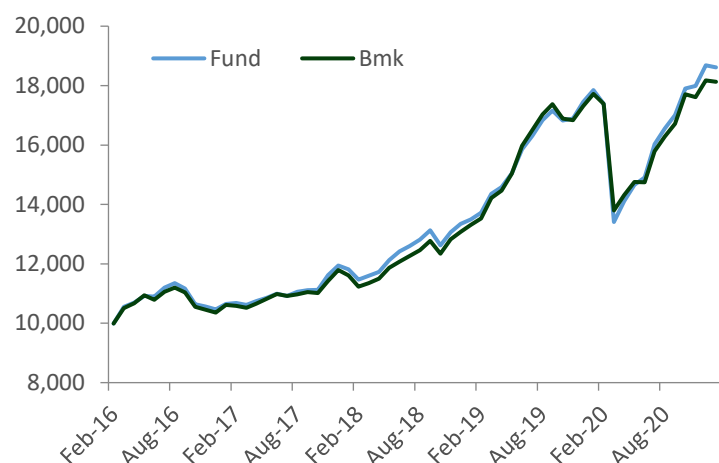
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.39%	3.96%	4.27%	16.36%	13.23%	14.42%
Benchmark ²	-0.25%	2.38%	2.30%	16.01%	12.63%	14.06%

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, \$10,000 invested^{1, 2}



Portfolio Manager

Michael Sherrock,
Portfolio Manager

Responsible for the Property and NZ Equities Fund. Covers the Property, Energy, Materials and Retirement sectors. Nineteen years of experience within the finance industry including Schroders in the UK and ASB Group Investments in New Zealand. Michael holds a Bachelor of Commerce degree from the University of Auckland and is a CFA charter holder. Joined in 2006.



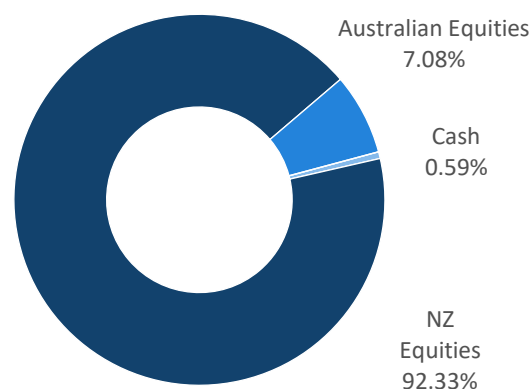
Overview

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				
What Helped		What Hurt		Goodman Property	17.12%	Investore Property	8.31%	
Goodman Property Trust	UW	Kiwi Property	UW	Argosy Property Limited	14.01%	Property for Industry	6.40%	
Precinct Properties NZ	UW	Waypoint REIT	OW	Stride Stapled Units	13.85%	Vital Healthcare	4.39%	
Investore Property Ltd	OW	Argosy Property Ltd	OW	Kiwi Property Group	13.38%	Summerset Group	2.10%	
OW: overweight; UW: underweight; NH: no holding.				Precinct Properties	11.05%	Waypoint REIT	1.91%	
							Number of holdings	15

Market Commentary

COVID-19, virus mutations and the vaccine rollout will continue to be the focus of financial markets for the near future with a successful vaccine rollout crucial for border openings and an economic recovery. While global equity markets were mixed through January, long bonds continue to move higher with the likes of the New Zealand 10-year government bond having tripled from its 45bps low in late September to be 1.34% at the time of writing. This move in long bonds should flow through to investors considering how much they are willing to pay for yield stocks, in particular property. While news flow was light in January, February will see a number of the fund’s holdings report results for the period ending 31 December.

Fund Commentary

The fund ended the month down 0.4% and 0.1% behind the index which fell 0.3%. The largest positive contributors to relative return were underweight positions in **Goodman Property (GMT)** and **Precinct Properties (PCT)** and an overweight position in **Investore Property (IPL)**. GMT continues to drift lower, falling for the third month in a row and ending down 3.0% for the period while PCT fell 2.0% and IPL rose 2.3% on no material news.

The largest detractors from relative performance were overweight positions in **Waypoint REIT (WPR)** and **Argosy Property (ARG)** and an underweight position in **Kiwi Property (KPG)**. WPR lost 5.9% in January as it was dragged down by the sell off in Australian property stocks. Following a number of strong months, ARG gave up 2.8% over the month on no specific news. KPG rose 5.7% after announcing improved sales across its retail properties for December compared to the same period last.

There were no material changes to fund holdings during the period.

(**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 98.3% hedged.

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$54m

Compliance

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

Contact Us

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