

Factsheet 31 July 2021

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Global equity markets were mixed over the month, as Chinese regulation of industries and companies weighed on Asian markets. Debates continued as to whether current inflation is transitory or structural and the Delta variant of COVID-19 continued to spread around the globe. The rollout of COVID-19 vaccines has enabled more freedom in certain countries such as the United Kingdom and the United States of America.
- The United States S&P 500 index rose 2.3%, the Japanese Nikkei 225 index fell 5.2%, the UK FTSE 100 index lost 0.1%, the Australian ASX 200 index added 1.1% and the MSCI World Local index ended the month up 0.7%.
- The S&P/NZX Real Estate index ended the month up 2.4% and outperformed the broader market with the S&P/NZX 50 index down 0.5%. The Australian property index ended the month up 0.5%.

## Fund Highlights

- The fund rose 2.3%, 0.1% behind the index return.
- News flow was relatively light ahead of a number of the fund's holdings reporting results next month for the period ending June.
- Summerset reported strong sales and resales figures for the June quarter.
- An overweight position in Argosy Property and underweight positions in Precinct Properties and Kiwi Property added value.
- Overweight positions in Summerset and Ingenia Communities and an underweight position in Goodman Property detracted from value.

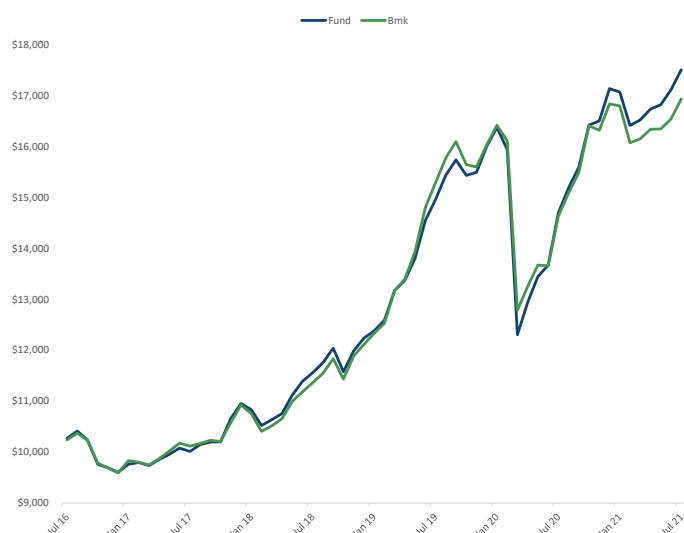
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.30%	4.61%	19.10%	14.83%	11.25%	13.74%
Benchmark <sup>2</sup>	2.39%	3.62%	15.74%	14.21%	10.58%	13.10%

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<sup>1, 2</sup>



## 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.



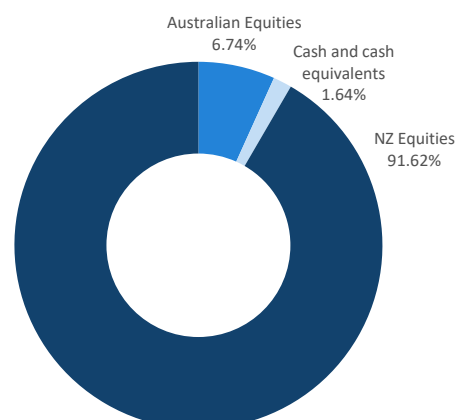
## Overview

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 (as at month end)			
What Helped		What Hurt					
Argosy Property Ltd	OW	Summerset	OW	Goodman Property Trust	16.97%	Property For Industry Ltd	6.79%
Kiwi Property Group Ltd	UW	Ingenia Group	OW	Argosy Property Ltd	14.30%	Investore Property Ltd	6.77%
Precinct Properties NZ	UW	Goodman Property	UW	Precinct Properties NZ	13.30%	Vital Healthcare Property	4.55%
OW: overweight; UW: underweight; NH: no holding.				Stride Stapled Grp	12.64%	Summerset Group Ltd	2.25%
				Kiwi Property Group	12.15%	Waypoint REIT	1.74%
				<b>Number of holdings</b>			<b>17</b>

## Market Commentary

Global equity markets were mixed over the month, as Chinese regulation of industries and companies weighed on Asian markets. Debates continued as to whether current inflation is transitory or structural and the Delta variant of COVID-19 continued to spread around the globe. The rollout of COVID-19 vaccines has enabled more freedom in certain countries such as the United Kingdom and the United States of America. News flow was relatively light ahead of results to be announced for the period ending June next month although a number of investor days and Annual Shareholder Meetings were held in July.

## Fund Commentary

The fund ended the month up 2.3% and 0.1% behind the index which was up 2.4%. The largest positive contributors to relative return were an overweight position in **Argosy Property** (ARG) and underweight positions in **Precinct Properties** (PCT) and **Kiwi Property** (KPG). ARG rose 4.5%, assisted by the expectation that it will be included in a global real estate index following changes to the index methodology. PCT ended the month flat as it continues to absorb the \$250m capital raising last month. KPG also ended the month flat on no specific information.

The largest detractors from relative performance were overweight positions in **Ingenia Communities** (INA) and **Summerset** (SUM) and an underweight position in **Goodman Property** (GMT). Despite increasing earnings guidance during the month, INA fell 5.7% as the lockdowns across Australia no doubt weighed on the stock's performance. INA had posted a more than 26% return in the prior four months. Also providing a good update with strong sales numbers, SUM fell 3.8% on no specific news. Goodman Group, the Manager of GMT acquired 3% of GMT which takes its ownership to 24.8%. The acquisition was made on market and above where GMT had been trading. GMT rose 5.6% over the month.

Key portfolio changes during the quarter included adding to the funds PCT position while making small reductions in ARG and **Stride Property** (SPG). The fund took advantage of the buying in GMT to reduce its position.

(**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 100.5% hedged.

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.20% / 0.20%	February 2010	\$43.8m

## Compliance

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

## Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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