

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Global equity markets took a hit during November as investors became nervous following the announcement of another COVID-19 variant, Omicron. Inflation continues to be relatively high in a number of economies and as a result there is a focus on the response from Central Banks. The Reserve Bank of New Zealand followed up last month's increase in the official cash rate (OCR) with another 25 basis point increase taking the OCR to 75 basis points.
- The United States S&P 500 index fell 0.8%, the Japanese Nikkei 225 index lost 3.7%, the UK FTSE 100 index gave up 2.5%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.7%.
- The S&P/NZX Real Estate index ended the month down 3.8% and underperformed the broader market with the S&P/NZX 50 index falling 2.9%. The Australian property index went against the trend and rose 4.0%.

## Fund Highlights

- The fund fell 4.05%, 0.3% behind the index return.
- A number of the fund's holdings reported results for the period ending September during the month, with results generally in line with expectations.
- Stride Property raised \$120m to improve its balance sheet while Ingenia Communities raised \$475m to fund a number of acquisitions.
- Overweight positions in Centuria Industrial REIT and Investore Property and an underweight position in Property for Industry added value.
- Overweight positions in Summerset and Stride Property and an underweight position in Goodman Property detracted from value.

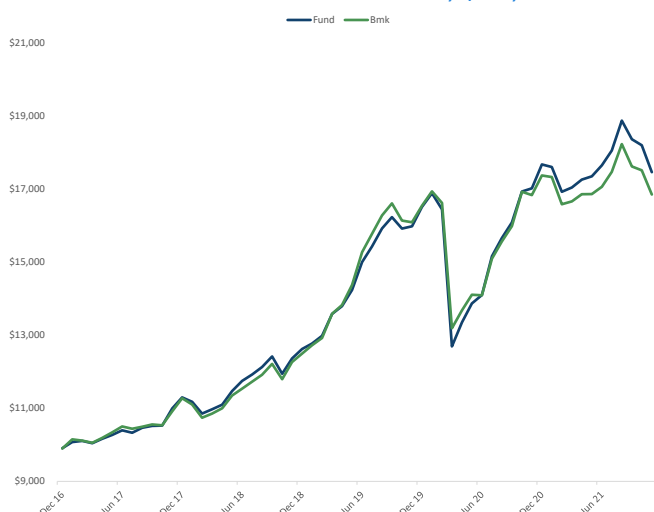
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-4.05%	-7.47%	2.60%	12.21%	11.80%	12.99%
Benchmark <sup>2</sup>	-3.78%	-7.58%	0.09%	11.17%	11.01%	12.38%

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 Schrodgers 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.



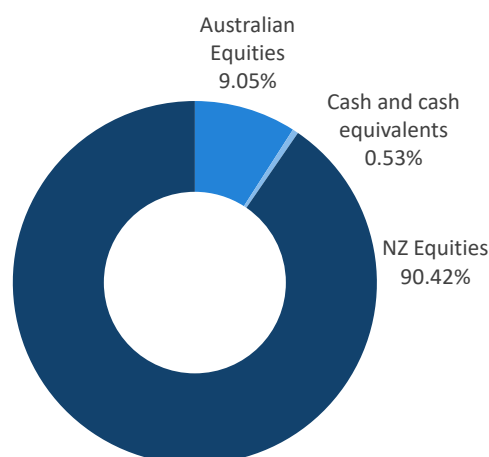
## Overview

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					
Centuria Industrial	OW	Summerset Ltd	OW	Goodman Property Ltd	16.71%	Property for Industry Ltd	6.89%
Investore Property	OW	Stride Property	OW	Precinct Properties Ltd	14.56%	Investore Property Ltd	6.42%
Property for Industry	UW	Goodman Property	UW	Argosy Property Ltd	12.78%	Vital Healthcare Property	4.95%
OW: overweight; UW: underweight; NH: no holding.				Kiwi Property Ltd	12.53%	Centuria Industrial	2.36%
				Stride Stapled	11.61%	Summerset Ltd	2.32%
				<b>Number of holdings</b>			<b>17</b>

## Market Commentary

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## Fund Commentary

The fund ended the month down 4.05% and 0.3% behind the index which was down 3.8%. The largest positive contributors to relative return were overweight positions in **Centuria Industrial REIT (CIP)** and **Investore Property (IPL)** and an underweight position in **Property for Industry (PFI)**. CIP rose 2.5% (in AUD) as it settled recently announced acquisitions. While IPL fell 0.4% over the month, this was an outperformance relative to the index return. PFI fell 4.8% despite announcing a number of successful leasing transactions - no doubt somewhat impacted by funding for the **Stride Property (SPG)** capital raising.

The largest detractors from relative performance were overweight positions in **Summerset (SUM)** and **SPG** and an underweight position in **Goodman Property (GMT)**. A number of retirement business reported earnings during the month which highlighted increasing costs - in particular for staff. This, along with some negative sentiment around the housing market outlook saw SUM fall 12.5%. SPG dropped 11.4% after announcing a heavily discounted capital raising late in the month. GMT fell 0.8%, outperforming the index as industrial property continues to see good revaluation gains.

Key portfolio changes during the month included adding to SPG and Ingenia Communities through their respective capital raisings along. Small reductions were made to positions in GMT and **New Zealand Rural Land Company (NZL)**

(**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 101.1% hedged.

### Estimated annual fund charges

Wholesale: negotiated outside of fund

**Buy / Sell spread:**

0.20% / 0.20%

**Strategy Launch**

February 2010

**Strategy size**

\$42.1m

## Compliance

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

## Contact Us

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