

Factsheet 28 February 2022

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact.
- The United States S&P 500 index fell 3.1%, the Japanese Nikkei 225 index lost 1.8%, the UK FTSE 100 index gave up 0.1%, the Australian ASX 200 index rose 2.1% and the MSCI World index ended the month down 2.6%.
- The S&P/NZX Real Estate index ended the month down 2.8% and underperformed the broader market with the S&P/NZX 50 index increasing by 0.8%. The Australian property index ended the month up 1.6%.

Fund Highlights

- The fund declined 2.9%, 0.1% behind the index return.
- A number of the fund's holdings reported earnings results for the period ending December.
- Overweight positions in Dexus Industria REIT and Waypoint REIT and an underweight position in Kiwi Property added value.
- Underweight positions in Vital Healthcare and Property for Industry and an overweight position in Argosy detracted from value.

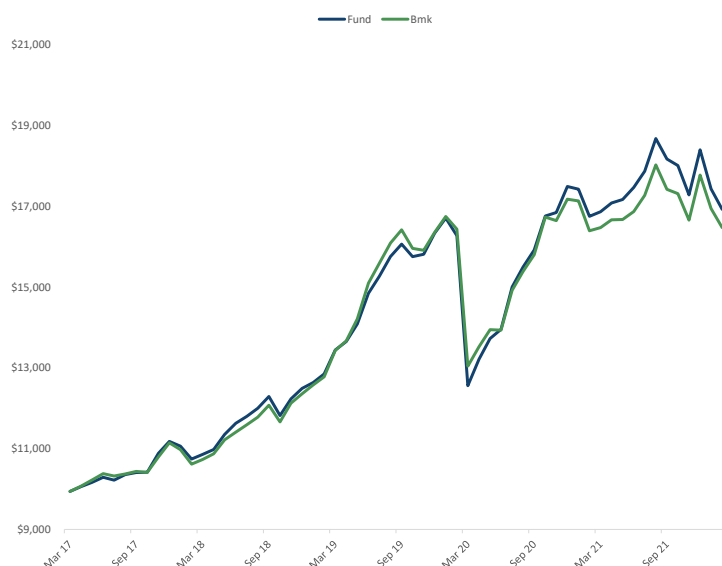
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.89%	-2.06%	1.04%	9.63%	11.10%	12.47%
Benchmark ²	-2.78%	-1.12%	0.48%	8.83%	10.50%	12.00%

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.

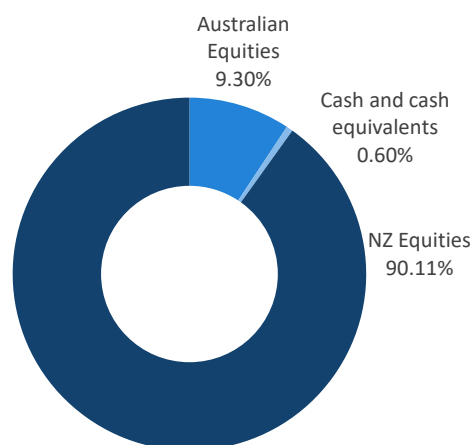
Overview

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 (as at month end)			
What Helped		What Hurt					
Dexus Industria REIT	OW	Argosy Property	OW	Goodman Property Trust	17.00%	Property For Industry Ltd	6.84%
Waypoint REIT	OW	Vital Healthcare	UW	Precinct Properties New	15.14%	Investore Property Ltd	6.25%
Kiwi Property Group Ltd	UW	Property for Industry	UW	Argosy Property Limited	12.14%	Vital Healthcare Property	5.87%
OW: overweight; UW: underweight; NH: no holding.				Kiwi Property Group	11.99%	Summerset Group	2.12%
				Stride Stapled	11.20%	Centuria Industrial REIT	2.10%
						Number of holdings	18

Market Commentary

Global equity markets were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact. The Omicron variant of COVID-19 progresses at differing stages with some economies opening up and others at the early stage with workforces heavily impacted. Inflation continues to be a concern for Central Banks with a number raising or expected to raise interest rates. The invasion of Ukraine by Russia late in the month followed by severe sanctions created market volatility. Reporting season in New Zealand was better than expected albeit outlook statements included a caveat around potential impacts from COVID-19. Interest rate increases will be a headwind for property valuations but the listed sector is of good quality and the rental growth outlook and development opportunities provide earnings and distribution yield support.

Fund Commentary

The fund ended the month down 2.9% and 0.1% behind the index which was down 2.8%. The largest positive contributors to relative return were overweight positions in **Dexus Industria REIT (DXI)** and **Waypoint REIT (WPR)** and an underweight position in **Kiwi Property (KPG)**. Both DXI and WPR reported results largely as expected during the month and are both conducting on market buybacks of their securities supported by relatively low gearing and trading below asset backing. DXI ended the period up 2.9% (in AUD) while WPR rose 0.7% (in AUD). KPG fell 4.9% as COVID-19 restrictions continue to impact on its properties and KPG announced a dividend at the bottom of its previous guidance.

The largest detractors from relative performance were underweight positions in **Vital Healthcare (VHP)** and **Property for Industry (PFI)** and an overweight position in **Argosy (ARG)**. Both VHP and PFI reported solid results and increased distribution outlooks. While VHP fell 1.0% and PFI lost 1.4%, both outperformed the index which given the portfolios underweight positions led to them detracting from relative performance. ARG dropped 7.7% on no specific news.

Key portfolio changes during the month included adding to positions in **Charter Hall (CHC)**, **VHP** and **Ingenia Communities (INA)** while making small reductions to positions in **Summerset (SUM)** and **Precinct Properties (PCT)**.

(**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%.

Buy / Sell spread: 0.20% / 0.20% **Strategy Launch** February 2010 **Strategy size** \$41.2m

Currently the fund’s foreign currency exposure is 92.1% hedged.

Exclusions Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Restrictions Tobacco stocks, ‘controversial weapons’, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

Compliance

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

Contact Us

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