

Factsheet 30 April 2022

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Most global equity markets sold off aggressively in April with inflation, increasing interest rates and the war in Ukraine having an impact.
- Bond markets continue to sell off with the NZ 10-year Government Bond increasing 42 basis points in response to the inflation outlook.
- The United States S&P 500 index fell 8.8%, the Japanese Nikkei 225 index fell 3.5%, but the UK FTSE 100 index gained 0.4%, the Australian ASX 200 index declined 0.9% and the MSCI World index declined 6.5%.
- The S&P/NZX Real Estate index ended the month down 3.5% and underperformed the broader market with the S&P/NZX 50 index falling 1.9%. The Australian property index gained 0.7%.

Fund Highlights

- The fund fell 3.0%, 0.5% ahead of the index return.
- Vital Healthcare raised \$200 million to fund acquisitions, developments and expansions in New Zealand.
- Waypoint REIT announced the sale of a number of service stations properties.
- Overweight positions in Centuria Industrial REIT, Dexus Industria REIT and Waypoint REIT added value. Overweight positions in Argosy Property and Ingenia Communities and a nil holding in Winton Land detracted from value.

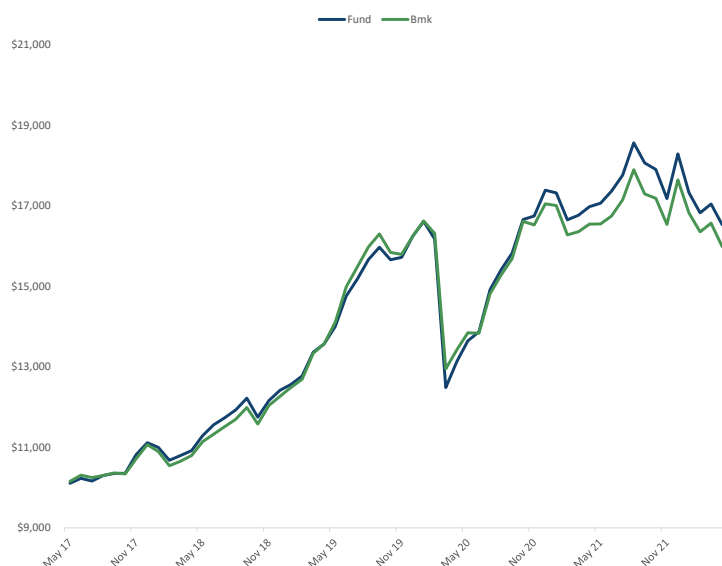
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-3.01%	-4.59%	-2.64%	6.80%	10.58%	11.62%
Benchmark ²	-3.50%	-4.96%	-3.38%	5.62%	9.84%	11.06%

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.

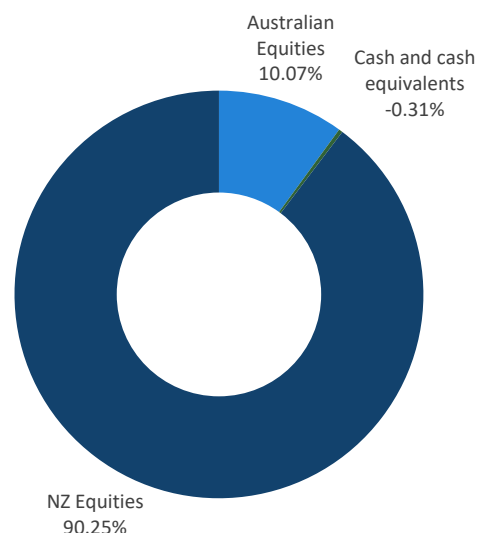
Overview

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					
Centuria Industrial REIT	OW	Ingenia Communities	OW	Goodman Property Trust	17.04%	Vital Healthcare Property	7.25%
Dexus Industria REIT	OW	Argosy Property Ltd	OW	Precinct Properties New	14.79%	Property For Industry Ltd	7.08%
Waypoint REIT	OW	Winton Land Ltd	NH	Kiwi Property Group	12.26%	Investore Property Ltd	6.18%
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Ltd	12.00%	Centuria Industrial REIT	2.38%
				Stride Stapled	10.71%	Dexus Industria REIT	2.17%
						Number of holdings	18

Market Commentary

Concerns around COVID-19 have taken a back seat to the market focusing on rising inflation, increasing interest rates and the war in Ukraine. Central banks have either started to raise or are signalling material increases in official cash rates. This is flowing through to weak equity and bond markets. The tech heavy Nasdaq has been a standout, down 13.3% over the month and 21.2% year-to-date. The New Zealand 10-year Government bond rose 42 basis point while the United States 10-year rose 60 basis points to end the month at 3.64% and 2.94% respectively. In May we will see a number of the New Zealand property securities report results for the period ending March. The focus will be on valuation outlooks in the face of increasing rates but also rental growth.

Fund Commentary

The fund ended the month down 3.0% and 0.5% ahead of the index which was down 3.5%. The largest positive contributors to relative return were overweight positions in **Centuria Industrial REIT (CIP)**, **Dexus Industria REIT (DXI)** and **Waypoint REIT (WPR)**. CIP and DXI continue to benefit from their industrial property exposure and rose 3.9% (in AUD) and 0.3% (in AUD) respectively. CIP also provided a quarterly update where they reaffirmed their earnings and distribution guidance. WPR announced the sale of a portfolio of 29, mainly regional, properties for \$141.8m. The result is a better quality property portfolio and provides cash for capital return and reinvestment outside of service station assets. WPR rose 0.8% (in AUD). The largest detractors from relative performance were overweight positions in **Argosy Property (ARG)** and **Ingenia Communities (INA)** and a nil holding in Winton Land (WIN). ARG lost 5.4% despite announcing an industrial property acquisition on reasonable terms. INA fell 7.3% (in AUD) after downgrading earnings guidance due to delays caused by recent flooding, supply chain challenges and labour shortages. Land developer WIN fell 1.2% which is less than the index fall and given the fund's underweight position it detracted from relative value.

Key portfolio changes during the month included adding to **Vital Healthcare (VHP)** through their capital raising along with trading some **Goodman Property Trust (GMT)**. A small reduction in **Summerset (SUM)** was made. (**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 102.1% 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>.

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread: 0.20% / 0.20% **Strategy Launch** February 2010 **Strategy size** \$39.5mm

Compliance

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

Contact Us

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