

Factsheet 30 June 2022

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- With the exception of China, global equity markets sold off aggressively over the quarter with inflation, increasing interest rates, labour shortages and the war in Ukraine all having an impact.
- The United States S&P 500 index fell 16.5%, the Japanese Nikkei 225 index lost 5.1%, the UK FTSE 100 index gave up 4.6%, the Australian ASX 200 index declined 11.9% and the MSCI World index ended the quarter down 12.7%.
- The S&P/NZX Real Estate index ended the quarter down 12.2% and underperformed the broader market with the S&P/NZX 50 index falling 10.2%. The Australian property index dropped 17.5%.

## Fund Highlights

- The fund fell 12.3%, 0.1% behind the index return.
- A number of the New Zealand property securities reported results for the period ending March.
- Vital Healthcare raised \$200 million to fund acquisitions, developments and expansions in New Zealand while NZ Rural Land Company raised \$16.4m to fund two farm acquisitions. Waypoint REIT announced the sale of a number of service stations properties.
- Underweight positions in Vital Healthcare and CDL Investments and an overweight position in Investore Property added value. Overweight positions in Centuria Industrial REIT, Charter Hall and Ingenia Communities detracted from value.

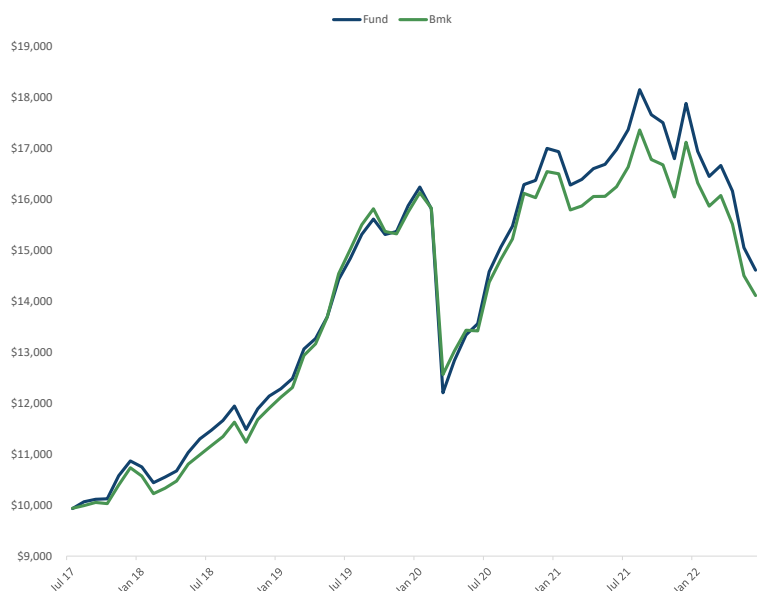
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-2.96%	-12.33%	-13.95%	0.41%	7.88%	10.38%
Benchmark <sup>2</sup>	-2.71%	-12.22%	-13.15%	-1.00%	7.13%	9.93%

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 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.

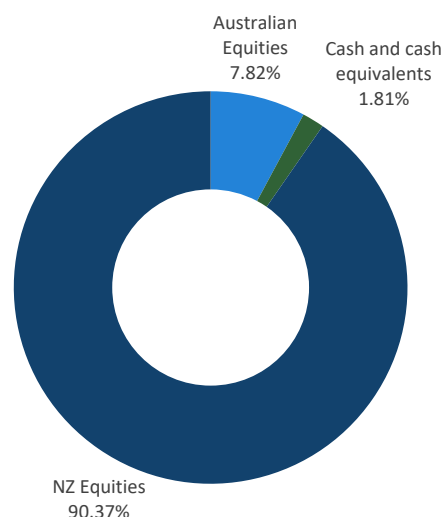
## Overview

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 (quarter)				Top 10 holdings			
What Helped		What Hurt					
Investore Property Ltd	OW	Centuria Industrial	OW	Goodman Property Trust	16.35%	Vital Healthcare Property	8.78%
CDL Investments NZ Ltd	NH	Charter Hall Group	OW	Precinct Properties	14.27%	Property For Industry Ltd	7.45%
Vital Healthcare Property	UW	Ingenia Communities	OW	Kiwi Property Group	12.44%	Investore Property Ltd	6.69%
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Limited	11.85%	Waypoint REIT	1.85%
				Stride Stapled Grp	10.25%	Dexus Industria REIT	1.55%
				<b>Number of holdings</b>			<b>18</b>

## Market Commentary

Inflation continues to be front of mind with a number of Central Banks including the Reserve Banks of New Zealand and Australia, the Bank of England and the US Federal Reserve all increasing cash rates over the month. New Zealand property securities that reported earnings during the month were generally in line with expectations. Property valuations reported as part of earnings announcements are as at 31 March and are somewhat outdated when considering the rising interest rate environment. The listed property securities are factoring in valuation declines and that is reflected in the average 20% discount that they are trading at compared to their reported asset backing.

## Fund Commentary

The fund ended the quarter down 12.3% and 0.1% behind the index which was down 12.2%. The largest positive contributors to relative return were underweight positions in **Vital Healthcare** (VHP) and CDL Investments (CDI) and an overweight position in **Investore Property** (IPL). VHP ended the quarter down 15.8% as the market digested its capital raising while CDI fell 26.5% on the back of its residential land exposure. IPL benefited from its defensive exposure with its tenants being largely needs based such as supermarkets. IPL also announced that it would start a buy-back of up to 5% of its shares on issue. Despite falling 6.2%, this was better than the index return and as a result the fund’s overweight position led to relative outperformance.

The largest detractors from relative performance were overweight positions in **Centuria Industrial REIT** (CIP), **Charter Hall** (CHC) and **Ingenia Communities** (INA). Australian property securities were underperformers relative to the New Zealand property index with CIP, CHC and INA down 25.7%, 32.3% and 21.3 (in AUD) respectively. While INA did announce an earnings downgrade on the back of bad weather and labour shortages delaying projects, the interest rates moves were the main driver of returns.

Key portfolio changes during the quarter included adding to **Vital Healthcare** (VHP) and **NZ Rural Land Co.** (NZL) through their capital raisings. Positions in **Stride Property** (SPG), **Property for Industry** (PFI) and IPL were also added to. Small reductions were made in **Argosy Property** (ARG), CIP, **Summerset** (SUM), **Dexus Industria REIT** (DXI), **Garda Property** (GDF), and **Precinct Properties** (PCT). (**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 96.2% hedged.

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

**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

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.20% / 0.20%	February 2010	\$35.8m

## Compliance

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

## Contact Us

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