

Factsheet 31 January 2023

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets had a strong start to the new year as China's reopening provided optimism to investors and bond yields fell, reinforcing the idea of the January effect.
- The United States S&P 500 index rose 5.7%, the Japanese Nikkei 225 index added 4.7%, the UK FTSE 100 index gained 4.3%, the Australian ASX 200 index increased 6.2% and the MSCI World index ended the month up 5.7%.
- The S&P/NZX Real Estate index ended the month up 1.4% and behind the broader market with the S&P/NZX 50 index gaining 4.3%. The Australian property index rose 8.1%.

Fund Highlights

- The fund rose 1.5%, 0.1% ahead of the index return.
- It was a quiet month for news flow ahead of February when a number of the fund's holdings will report results for the period ending December.
- Centuria Industrial REIT was an early reporter, releasing its result on the last day of January which showed a capitalisation rate increase but also strong leasing outcomes.
- Underweight positions in Property for Industry and Precinct Properties and an overweight position in Dexus Industria REIT added value. Underweight positions in Vital Healthcare and Kiwi Property and an overweight in Stride Property detracted from value.

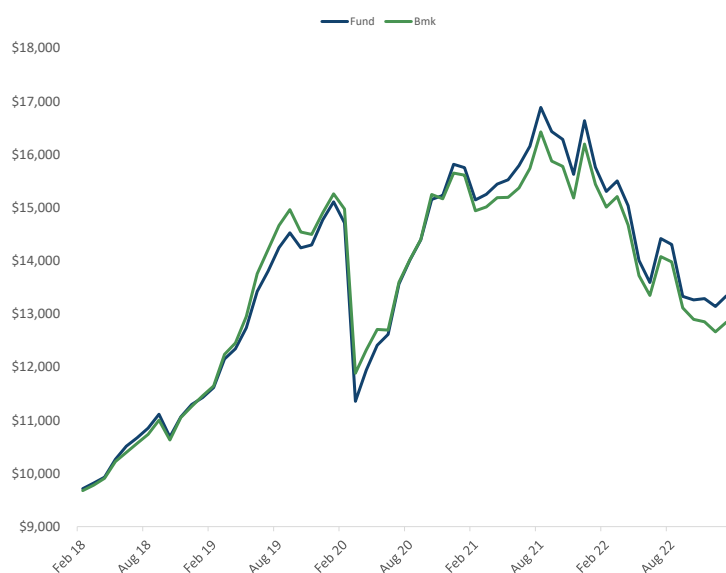
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.51%	0.57%	-15.36%	-4.07%	5.93%	9.00%
Benchmark ²	1.44%	-0.41%	-16.81%	-5.58%	5.14%	8.38%

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, \$1,000 invested^{1, 2}



Portfolio Manager

Michael Sherrock,
Portfolio Manager



Responsible for the Property and NZ Equities Fund. Covers the Property, Energy, Materials sectors. Experienced 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 Nikko in 2006.

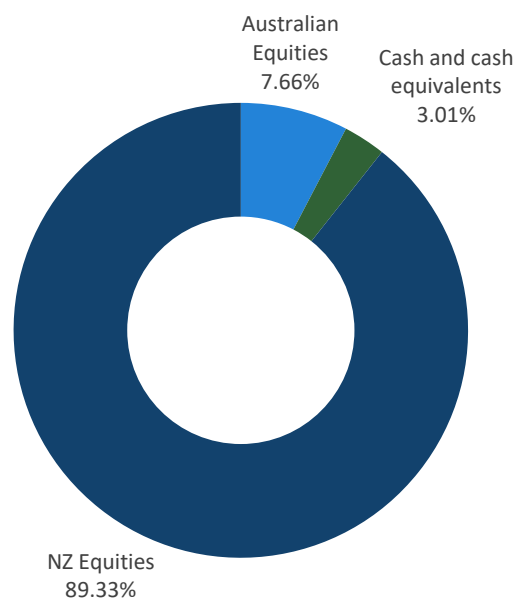
Overview

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 (% of fund)			
What Helped		What Hurt					
Property for Industry Ltd	UW	Vital Healthcare Property	UW	Goodman Property Trust	17.92	Vital Healthcare Property	8.32
Precinct Properties NZ	UW	Kiwi Property Group	UW	Precinct Properties New	13.29	Property for Industry	7.25
Dexus Industria REIT	OW	Stride Property Group	OW	Kiwi Property Group	12.78	Investore Property	6.73
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Limited	11.71	Waypoint REIT Fully Paid	1.98
				Stride Stapled Grp	9.18	Ingenia Communities	1.80
				Number of holdings			16

Market Commentary

Global equity markets continue to focus on economic news and how that might impact on where interest rates will peak. Long bonds for key markets fell over the month with the US 10-year bond down 35bps, Australia’s down 50bps and New Zealand’s down 30bps. China’s reopening also gave optimism to investors. This provided a boost to equity markets, reinforcing the idea of the January effect, the belief that the stock market has a tendency to rise in January more than any other month. Inflation continues to be an issue and all eyes will be on central bank meetings and decisions that come out of those during February.

Fund Commentary

The fund ended the month up 1.5%% and 0.1% ahead of the index which was up 1.4%. The largest positive contributors to relative return underweight positions in **Property for Industry (PFI)** and **Precinct Properties (PCT)** and an overweight position in **Dexus Industria REIT (DXI)**. On no specific news PFI and PCT fell 1.3% and 0.8% respectively. Both stocks report results in February. DXI rose 6.2% (in AUD), helped by a strong Australian property sector and a small portfolio valuation increase announced in December.

The largest detractors from relative performance were underweight positions in **Vital Healthcare (VHP)** and **Kiwi Property (KPG)** and an overweight in **Stride Property (SPG)**. After five consecutive down months, VHP rose 6.4% despite announcing a \$65m valuation decline. KPG announced its mixed-use shopping centres had record sales for the year, and the stock rose 5.0% over the month. SPG fell 2.1% on no specific news.

Portfolio changes over the month included adding to its position in **Asset Plus (APL)** while making a small reduction in **Goodman Property (GMT)**.

(**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 80.4% hedged.

Exclusions Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).

Restrictions Tobacco stocks, 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** \$34.3m

Compliance

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

Contact Us

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