

Factsheet 31 March 2023

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global equity markets had a strong quarter, aided by lower bond yields and shrugging off the concerns around the banking sector following the failure of Silicon Valley Bank.
- The United States S&P 500 index rose 7.0%, the Japanese Nikkei 225 index added 7.5%, the UK FTSE 100 index gained 2.4% the Australian ASX 200 index increased 2.5% and the MSCI World index ended the quarter up 7.0%.
- The S&P/NZX Real Estate index ended the quarter up 2.0% and behind the broader market with the S&P/NZX 50 index up 3.9%. The Australian property index rose 0.3%.

Fund Highlights

- The fund rose 0.6% over the quarter, 1.4% behind the index return over the quarter.
- A number of the fund's holdings reported earnings for the period ended December.
- Late in the quarter several holdings released draft valuations for the period ending March which showed capitalisation rates increased and valuation declining.
- Overweight positions in Centuria Industrial REIT and Asset Plus and an underweight position in New Zealand Rural Land added value. Overweight positions in Ingenia Communities 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 ¹	-1.42%	0.64%	-14.69%	5.21%	6.14%	8.45%
Benchmark ²	-1.06%	1.99%	-15.08%	2.81%	5.73%	7.94%

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 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 Nikko in 2006.

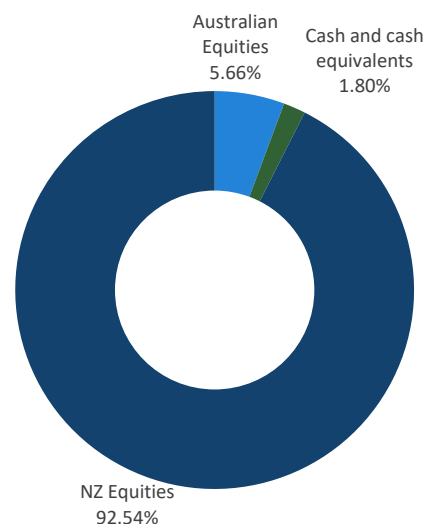
Overview

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 (quarter)				Top 10 holdings (% of fund)			
What Helped		What Hurt					
Centuria Industrial REIT	OW	Ingenia Communities	OW	Goodman Property Trust	19.19	Vital Healthcare Property	8.47
NZ Rural Land	UW	Goodman Property	UW	Precinct Properties Ltd	13.69	Property for Industry	7.62
Asset Plus Ltd	OW	Stride Property	OW	Argosy Property Limited	12.70	Investore Property	6.40
OW: overweight; UW: underweight; NH: no holding.				Kiwi Property Group Ltd	12.28	Waypoint REIT	1.87
				Stride Stapled	9.04	Ingenia Communities	1.49
				Number of holdings			17

Market Commentary

Global equity markets had a strong quarter, aided by lower bond yields, the reopening of China and shrugging off the concerns around the banking sector following the failure of Silicon Valley Bank. Key central banks lifted cash rates during the quarter as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. While the failure of Silicon Valley Bank sent ripples through the financial sector, the strong response from US regulators limited the impact. In results we have seen good revenue growth but offset by increased operating expenses and interest costs. For property stocks we have seen the start of capitalisation rate expansion and property values falling.

Fund Commentary

The fund ended the quarter up 0.6% but 1.4% behind the index which was up 2.0%. The largest positive contributors to relative return were overweight positions in Centuria Industrial REIT (CIP) and **Asset Plus** (APL) and an underweight position in **New Zealand Rural Land Co** (NZL). After a strong run early in the quarter, CIP was divested from the portfolio. CIP rose 15.3% (in AUD) during its holding period in the quarter. APL which trades materially below asset backing rose 11.1% on no specific news. NZL raised \$24 million in new capital to fund an investment in a forest asset. NZL fell 7.1% over the quarter.

The largest detractors from relative performance were overweight positions in **Ingenia Communities** (INA) and **Stride Property** (SPG) and an underweight position in **Goodman Property** (GMT). INA fell 14.6% (in AUD) after downgrading earnings guidance due to lower home deliveries in the period. SPG fell 6.1% over the quarter with the market somewhat concerned about its level of gearing. GMT rose 6.8% despite announcing a \$238 million or 4.7% portfolio valuation decline.

Portfolio changes over the quarter included adding **Ryman Healthcare** (RYM) to the fund along with adding to positions in **Argosy** (ARG), APL and NZL. The fund's holding in CIP was divested.

(**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 97.7% 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** \$33.2m

Compliance

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

Contact Us

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