

# Nikko AM Property Strategy

Monthly Update 29 February 2024

Applies to the Nikko AM Wholesale Property Fund.

## Market Overview

- Global equity markets continued their recent strong run with inflation moving in the right direction, giving comfort that rate increases were at an end.
- The United States S&P 500 index rose 5.2%, the Japanese Nikkei 225 jumped 7.9%, the UK FTSE 100 index was unchanged, the Australian ASX 200 index increased 0.8% and the MSCI World index ended the month up 4.3% (in local terms).
- The S&P/NZX Real Estate index fell 3.4% and behind the broader market with the S&P/NZX 50 down 1.1%. The Australian property index had a strong month, up 4.8%.

## Fund Highlights

- The fund fell 3.4%, in line with the index return.
- It was a busy month with a number of companies reporting earnings for the period ending December and others updating their earnings guidance for the March period.
- Haumi who held approximately 238m shares in Precinct Properties sold their entire stake at \$1.10, an 8.3% discount to where Precinct had last traded.
- Overweight positions in Ingenia Communities and Dexu Industria REIT and an underweight position in Precinct Properties added value.
- Overweight positions in Ryman Healthcare and Investore 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.)
<b>Wholesale<sup>1</sup></b>	-3.44%	3.63%	-0.46%	-4.11%	2.83%	8.33%
<b>Benchmark<sup>2</sup></b>	-3.43%	3.31%	-0.59%	-4.59%	2.19%	7.98%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).

2. Benchmark: from 1/6/2023 S&P/NZX All Real Estate Sector 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,  
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charterholder and holds a Bachelor of Commerce degree from the University of Auckland.

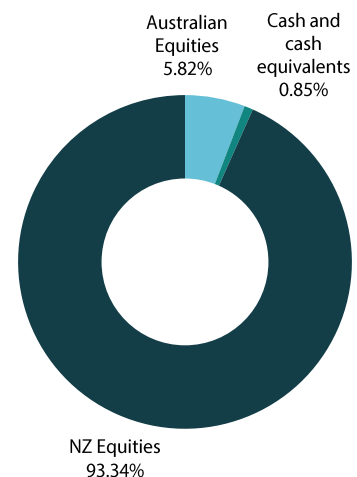
## Overview

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			
What Helped:		What Hurt:	
Ingenia Communities	OW	Ryman Healthcare	OW
Precinct Properties	UW	Goodman Property	UW
Dexus Industria REIT	OW	Investore Property	OW

OW: overweight; UW: underweight; NH: no holdings

Top 10 Holdings (% of fund)			
Goodman Property	19.26	Vital Healthcare Property	9.35
Kiwi Property	13.55	Property for Industry	7.45
Precinct Properties	13.01	Investore Property	5.08
Argosy Property	11.62	Waypoint REIT	1.71
Stride Stapled	9.58	Ingenia Communities	1.68
		<b>Number of holdings</b>	<b>18</b>

## Market Commentary

After a very strong end to 2023 and a solid January, equity markets continued their move higher - assisted by inflation in most economies moving in the right direction giving comfort that interest rate increases were at an end. Despite some economists picking that the Reserve Bank of New Zealand would increase our Official Cash Rate, the RBNZ left the OCR at 5.5% when they released their Monetary Policy Statement late in February. In fact, the RBNZ's statement was more dovish than expected which resulted in bond yields moving modestly lower. Despite the slightly dovish tone from the RBNZ the NZ property sector was under pressure, not helped by the large sell down of Precinct Properties.

## Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Ingenia Communities (INA)** and **Dexus Industria REIT (DXI)** and an underweight position in **Precinct Properties (PCT)**. INA reported a strong result for the first half of its financial year and ended the month 9.2% (in AUD) higher. DXI reported a good first half result and also an increase in occupancy at its Brisbane Technology Park properties which has had relatively low occupancy for some time. DXI rose 3.6% (in AUD). The PCT share price was under pressure as a large block of stock was sold and as a result PCT ended the month down 6.4%.

The largest detractors from relative performance were overweight positions in **Ryman Healthcare (RYM)** and **Investore Property (IPL)** and an underweight position in **Goodman Property (GMT)**. RYM announced a downgrade to their guidance for the period ending March with new unit sales in several villages running behind expectations. The issue is put down to not having the amenities that come along with the main building not being available, which slows sales. There was heavy offshore selling and RYM ended the month down 18.6%. GMT, which is currently managed by Goodman Group, announced that it intends to internalise the management of the business along with setting up a funds management platform which should enable it to grow earnings at a faster rate. GMT was unchanged over the month. IPL fell 7.7% on no specific news.

Portfolio changes over the month included adding to positions in RYM, PCT and **Kiwi Property (KPG)**.

(**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Hedging:</b> 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 94.3% hedged.	<b>Strategy Launch:</b> February 2010
<b>Wholesale:</b> Negotiated outside of the unit price.		<b>Exclusions:</b> Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy size:</b> \$32.9m
<b>Distributions:</b>		<b>Restrictions:</b> Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/institutional">https://www.nikkoam.co.nz/invest/institutional</a> .	<b>Buy / Sell spread:</b> 0.20%/0.20%
<b>Wholesale:</b> Calendar quarter			

## Compliance

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

## Contact Us

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