

# NIKKO AM WHOLESALE PROPERTY FUND

## Monthly Fact Sheet

### Why Nikko Asset Management NZ?

As a dedicated global investment manager Nikko AM NZ pairs local knowledge and experience with significant global resources. The Nikko group manages around US\$200 billion globally, including around NZ\$5 billion in New Zealand.

### Fund Overview

The Property Fund 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.

### Benchmark

S&P/NZX All Real Estate Industry Group Gross with Imputation Index

### Performance Objective

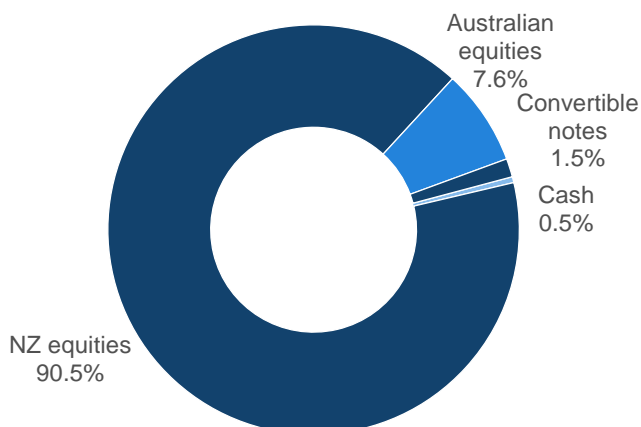
The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three year period.

### Risk Indicator

Based on the standard deviation of gross returns over a rolling 5 years to the last calendar quarter



### Asset Allocation



### Portfolio Manager

**Michael Sherrock, Portfolio Manager, CFA**

Michael joined Nikko AM in 2006 and covers the Energy, Material and Retirement sectors. He has over 19 years' experience and previously worked for Schrodgers UK and ASB Group Investments NZ.



### Performance Returns

	Gross <sup>1</sup>	Benchmark
1 month	-2.88%	-3.24%
3 months	-1.30%	-1.63%
1 year	7.42%	6.18%
2 years	7.16%	6.05%
3 years (pa)	8.24%	7.67%
5 years (pa)	10.93%	10.42%

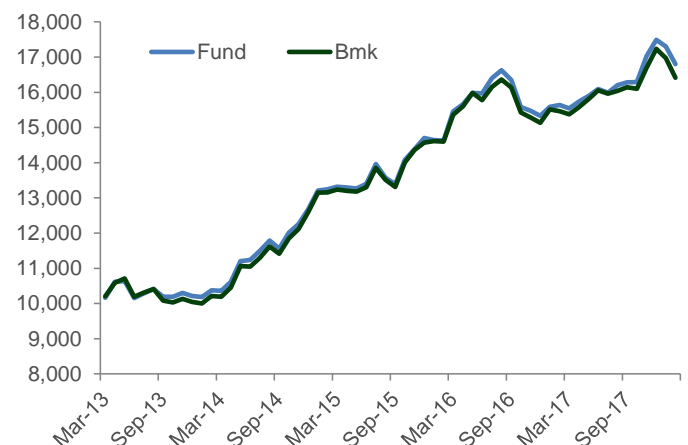
1. Gross Returns are before tax and before the deduction of fees.

### Attribution to Performance (month)

What helped	What hurt
Ingenia	OW Property for Industry UW
Summerset Group	OW Stride Property Group OW
Centuria Industrial	OW Metlifecare OW

OW: overweight; UW: underweight; NH: no holding - at month end position

### Five Year Cumulative Performance (gross) <sup>1</sup>



## Top 10 Holdings

Name	% of Fund
Kiwi Property Group	18.50%
Argosy Property	14.73%
Stride Stapled Group	14.30%
Goodman Property Trust	11.96%
Precinct Properties	10.22%
Investore Property	5.56%
Ingenia Communities Group	4.10%
Property for Industry	4.09%
Metlifecare	3.96%
Vital Healthcare Property Trust	3.71%
<b>Number of holdings in fund</b>	<b>17</b>

## Key Fund Facts

<b>Strategy launch date</b> February 2010	<b>Benchmark</b> S&P/NZX All Real Estate (industry Group) Gross Index (with imputation credits)
<b>Strategy FUM</b> \$35.1m	<b>Hedging</b> Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.
<b>Fund structure</b> PIE fund	The fund's foreign currency exposure is currently 95.5% hedged.
<b>Buy/sell spread</b> 0.245% / 0.245%	
<b>Distributions</b> Calendar quarter	

## Market Commentary

Global equity markets fell sharply early in the month of February on the back of stronger US economic data which lead to fears of interest rates rising faster than expected. By the end of the month, markets had recovered some of their losses with the US S&P 500 index down 3.9% and the MSCI World down 2.6%. In addition to the move higher in bond yields, talk of Trump moving to put tariffs on other products rattled markets. The broader NZ market as measured by the S&P/NZ50 index was down 0.8% whereas the Australian S&P/ASX 200 was up 0.4%.

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## Fund Commentary

The fund ended the month down 2.9% but 0.36% ahead of the benchmark which was down 3.2%. The largest positive contributors to relative return were overweight positions in **Ingenia Communities** (INA) and **Summerset Group** (SUM) and an underweight position in **Precinct Properties** (PCT). INA and SUM both performed well following good earnings results and were up 4.1% (in AUD) and 11.3% respectively. PCT fell 3.8% over the month with the move more flow driven than any reaction to its result which was in line with market expectations. The largest negative contributors to relative return were an underweight position in **Property for Industry** (PFI) and overweights in **Stride Property Group** (SPG) and **Metlifecare** (MET). PFI delivered a reasonable result during the month and while down 1.1% it outperformed the index. After outperforming the index last month SPG dropped 5.1% on no specific news. MET lost 4.0% after a result that was slightly below expectations but in our view this is more of a timing issue and MET still offers very good value.

There were no material portfolio changes during the month.

Over the month a number of the fund's holdings reported either full year or half year results. SUM was the stand out with earnings coming in ahead of the upgraded guidance that was provided in December. SUM is seeing little to no impact of the slowing housing market impact on their sales and reported a substantial lift in NTA and a record development margin. INA reported a good result on the back of previous acquisitions and developments contributing along with expanding margins. Pleasingly, INA reconfirmed guidance and reiterated that growth would be internally funded. MET's half year result was a touch underwhelming although this was around timing of unit delivery and the impact of unit repurchases for remediation work. The second half should be much stronger. PCT reiterated its earnings guidance and confirmed further pre-commitments for its Commercial Bay retail space although no further progress has been made with leasing up the office space which sits at 60% pre-commit. A further \$14.7m write down of 10 Brandon Place (formerly Deloitte House) was recorded with the property now valued at \$7.0m, down from its pre Kaikoura earthquake value of more than \$50m. Kiwi Property Group, not reporting any results this month, announced they will be going ahead with a \$223m retail expansion at Sylvia Park.

(**Bold** denotes stock held in portfolio)

## Compliance

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

### Important Information

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