

# NIKKO AM WHOLESALE PROPERTY FUND

## Monthly Fact Sheet

### Why Nikko Asset Management NZ?

As New Zealand's only dedicated global investment manager, Nikko AM NZ pairs local knowledge and experience with significant global resources. We manage over US\$200 billion under management globally and around NZ\$5billion in New Zealand.

### Fund overview

To provide 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.

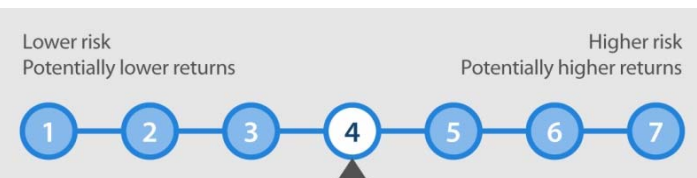
### Benchmark

S&P/NZX All Real Estate (industry Group) Gross Index (with imputation credits)

### Performance objective

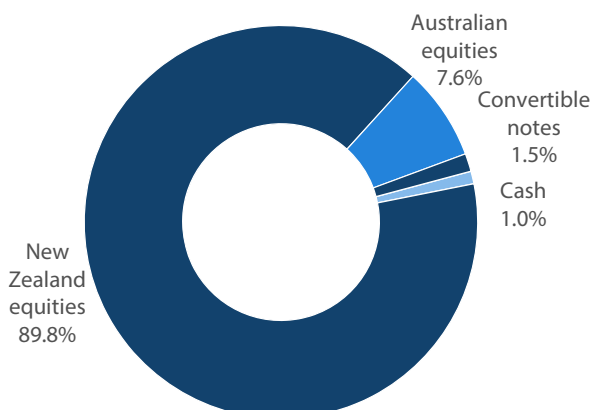
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

### 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.

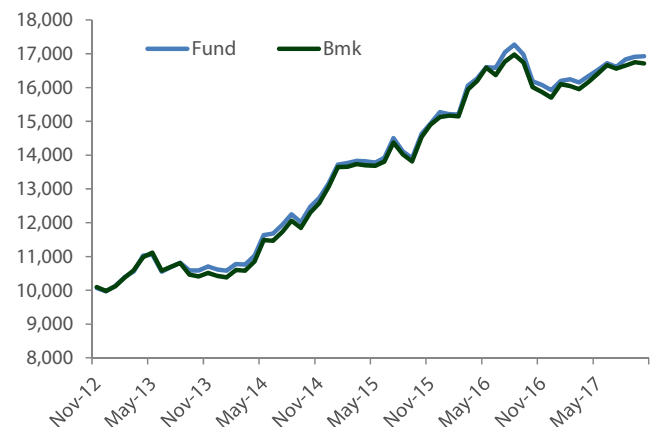


### Performance returns

	Gross <sup>1</sup>	Benchmark
1 month	0.07%	-0.23%
3 months	1.91%	0.90%
1 year	4.55%	4.37%
2 years	7.58%	7.22%
3 years (pa)	10.71%	10.78%
5 years (pa)	11.10%	10.82%
10 years (pa)	-	7.29%

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

### Five year cumulative performance (gross) <sup>1</sup>



## Attribution to performance

What helped		What hurt	
Property for Industry	UW	Goodman Property	UW
Kiwi Property Group	UW	Precinct Property	UW
Centuria Industrial REIT	OW	Summerset	OW

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

## Top 10 holdings

Name	% of Fund
Kiwi Property Group Limited	18.14%
Argosy Property Limited	14.21%
Stride Group	13.68%
Goodman Property Trust	12.56%
Precinct Properties New Zealand Limited	9.94%
Investore Property Ltd	5.54%
Metlife Care Ltd	4.45%
Ingenia Communities Group	4.14%
Vital Healthcare Property Trust	3.95%
Property For Industry Ltd	3.40%
<b>Number of holdings in fund</b>	<b>18</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>Fund structure</b> PIE Fund	<b>Hedging</b> Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. The fund's foreign currency exposure is currently 100% hedged.
<b>Buy/sell spread</b> 0.245% / 0.245%	
<b>Distributions</b> Calendar quarter	

## Compliance

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

## Contact us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

## Market commentary

Global equity markets continued their strong run this year with the MSCI All Country World index up 2.54% during October. Locally the final outcome of the New Zealand election was revealed and a coalition government was formed between the Labour Party, the Green Party and New Zealand First. The equity market largely ignored the outcome with the biggest impact being seen in the currency which depreciated 5.1% against the USD over the month. The New Zealand Property index was an underperformer over the month, down 0.23% compared to the broader market which was up 2.77% as measured by the S&P/NZX 50 index. Although up 2.3%, the Australian property sector was also an underperformer compared to the S&P/ASX 200 index which was up 4.01% for the month.

## Fund commentary

The fund produced a small positive return for the month, up 0.07% and ahead of the benchmark return of -0.23%. The largest positive contributors to relative return were an overweight position in **Propertylink Group (PLG)** and underweight positions in **Property for Industry (PFI)** and **Kiwi Property Group (KPG)**. PLG benefited from a new investor acquiring a position in the company at \$1.02, a 9.7% premium (in AUD) to the end of September closing price. At this price we saw limited near term upside and sold our entire holding. PFI lost 2.9% over the month following the acquisition of a number of properties and an accompanying \$70m capital raising. KPG continues to suffer from concerns around retail landlords and the impact of online retailing. The largest detractors to relative performance were underweights in **Goodman Property Trust (GMT)** and **Precinct Properties (PCT)** and an overweight in **Summerset Group (SUM)**. In a weak property sector GMT outperformed, up 2.3% for the month as did PCT which was up 1.6%. SUM was volatile during the month but ended up down 4.1% with the coalition government formed and concerns around the housing market having an impact.

The key portfolio changes during the month included adding to positions in **Stride Property Group (SPG)** and **Investore Property (IPL)** while PLG was divested.

During the month KPG acquired a 3.2 hectare property adjacent to its Sylvia Park mall for \$27.1m. Other than this, the property purchases and capital raising by PFI, and the new investor taking a 19.9% stake in PLG, there was little news during the month ahead of the September period end reporting of results next month which will see seven of the New Zealand listed property vehicles report results.

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

### Important Information

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