

# 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

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

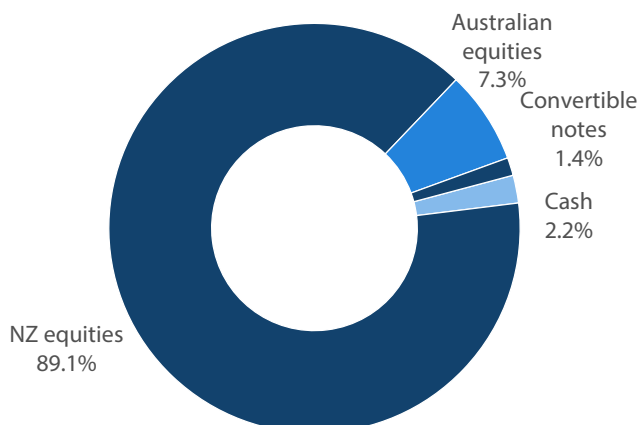
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

### 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 Schroders UK and ASB Group Investments NZ.

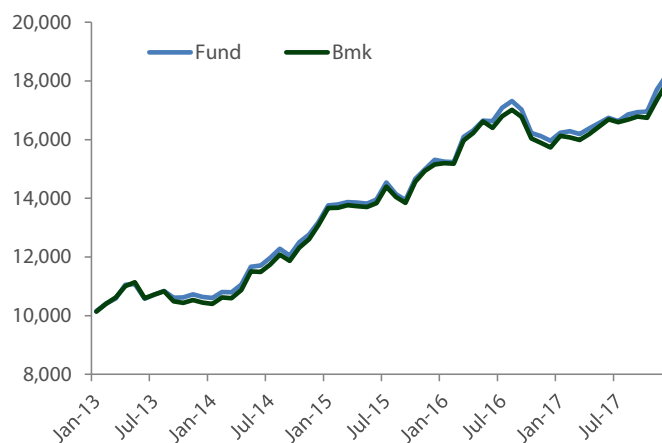


### Performance returns

	Gross <sup>1</sup>	Benchmark
1 month	2.74%	3.25%
3 months	7.41%	6.77%
1 year	14.07%	13.89%
2 years	9.06%	8.75%
3 years (pa)	11.34%	11.02%
5 years (pa)	12.74%	12.38%

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
Vital Healthcare Property	UW	Precinct Properties	UW
Property Link Group	OW	Metlifecare	OW

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

## Top 10 holdings

Name	% of Fund
Kiwi Property Group	17.99%
Stride Group	14.38%
Argosy Property Ltd	14.22%
Goodman Property Trust	12.00%
Precinct Properties	10.80%
Investore Property	5.76%
Property for Industry	4.05%
Ingenia Communities	3.96%
Metlifecare	3.89%
Vital Healthcare Property Trust	3.73%
<b>Number of holdings in fund</b>	<b>16</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> \$36.5m	<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

Equity markets ended the year strongly with the S&P 500 index up 6.1% for the quarter, the FTSE 100 index up 4.3%, the Nikkei 225 index up 11.8% and the MSCI World index up 5.3%. Over the year these indices were up 19.4%, 7.6%, 19.1% and 19.8% respectively. The NZ property index also had a strong quarter, up 6.8% and ahead of the broader market which was up 6.1% as measured by the S&P/NZX 50 index.

## Contact us

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

The Australian property sector also outperformed the broader market with the S&P/ASX 300 property index up 7.8% compared to the S&P/ASX 200 index which was up 7.6%.

## Fund commentary

The fund had a strong final quarter, up 7.4% and 0.7% ahead of the benchmark return of 6.8%. The largest positive contributors to relative return were underweights in **Property for Industry** (PFI) and **Vital Healthcare** (VHP) and an overweight position in **Propertylink Group** (PLG). PFI underperformed the index, up only 1.2% as it digested the completion of its capital raising while VHP only rose 0.4% on no material news. 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. The largest negative contributors to relative return were underweight positions in **Goodman Property Trust** (GMT) and **Precinct Properties** (PCT) and an overweight position in **Metlifecare** (MET). GMT reported a good half year result and rose 9.4% while PCT continues to make good progress on its large developments in Auckland and Wellington and rose 7.9% over the quarter. While MET rose 5.1% over the quarter it underperformed the strong index return and therefore was a drag on relative performance.

The key portfolio changes during the month included adding to positions in **Stride Property Group** (SPG) and **Investore Property** (IPL) while small down weights in GMT, MET and PCT.

Seven of the New Zealand listed property vehicles reported half year results during the quarter. In general, portfolio metrics remain solid with low vacancy, debt within target ranges and near term lease expiries under control. Outside of the result announcements, GMT announced the sale of Central Park Corporate Centre in Auckland for \$209m (subject to overseas investment office approval) and the Steel & Tube building in Christchurch for \$20.4m. SPG was another to make announcements in addition to the half year result numbers. SPG announced that they would be redeveloping one of its properties where there was a material lease expiry and had signed a 25 year lease with a new tenant to move in once the redevelopment completes. In addition it had signed new leases with Bunnings on several properties and will then sell three of the properties to IPL, subject to IPL shareholder approval. A number of the listed property vehicles also raised debt through the retail bond market or announced they would be looking to do this in order to diversify funding away from the banks. (**Bold** denotes stock held in the portfolio)

## Compliance

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

### Important Information

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