

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.

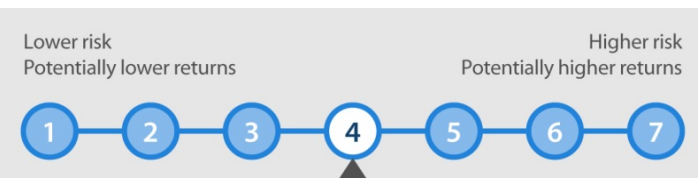
Benchmark

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

Performance Objective

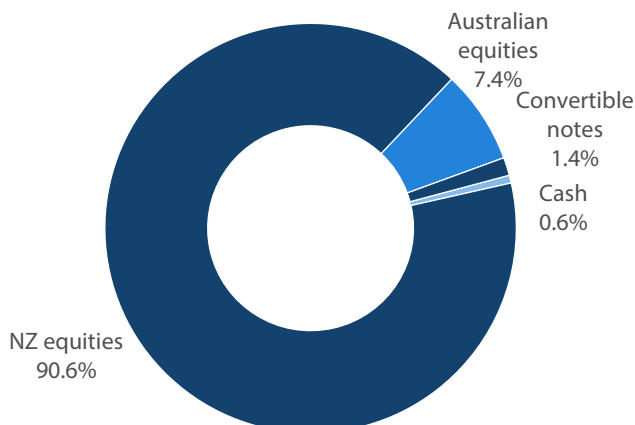
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

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.

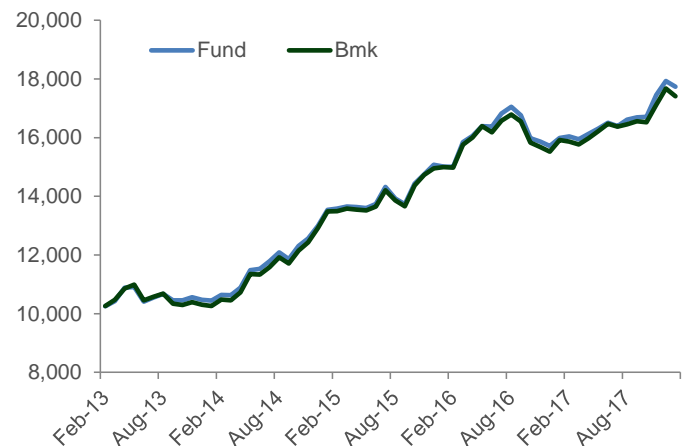


Performance Returns

	Gross ¹	Benchmark
1 month	-1.08%	-1.53%
3 months	6.17%	5.37%
1 year	10.95%	9.38%
2 years	8.68%	7.75%
3 years (pa)	9.42%	8.87%
5 years (pa)	12.15%	11.73%

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

Five Year Cumulative Performance (gross) ¹



Attribution to Performance (month)

What helped	What hurt
Stride Property	OW Property for Industry UW
Summerset Group	OW CDL Investments UW
Metlifecare	OW Investore Property OW

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

Top 10 Holdings

Name	% of Fund
Kiwi Property Group	18.68%
Argosy Property Ltd	14.82%
Stride Stapled Group	14.66%
Goodman Property Trust	11.99%
Precinct Properties	9.79%
Investore Property	5.64%
Property for Industry	4.08%
Metlifecare	4.01%
Ingenia Communities Group	3.98%
Vital Healthcare Property Trust	3.72%
Number of holdings in fund	17

Key Fund Facts

Strategy launch date February 2010	Benchmark S&P/NZX All Real Estate (industry Group) Gross Index (with imputation credits)
Strategy FUM \$36.0m	Hedging Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.
Fund structure PIE Fund	The fund's foreign currency exposure is currently 95.5% hedged.
Buy/sell spread 0.245% / 0.245%	
Distributions Calendar quarter	

Market Commentary

NZ equity markets started the year up mildly in January with the S&P/NZX 50 index up 0.53% but this was only after a very strong final day of the month, +1.73%, with passive index funds re-weighting. January's performance was on the back of a very strong 2017 where the NZX50 rose 23.60% and the fund returned 30.98%.

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The Australian market lost ground, down 0.45% in January, as measured by the S&P/ASX 200 Accumulation index. This made both the NZ and Australian markets big underperformers against most international markets with the US S&P500 +5.6%, Japanese Nikkei +1.5%, Chinese Shanghai +6.1% and MSCI World +4.1% all in local currency.

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%.

Global equity markets started the year strongly, in particular the US market which benefited from passing of tax reforms. Australasian markets were underperformers, in particular the property sectors which came under pressure due to rising bond yields. The NZ Property index fell 1.5% compared to the broader market which was up 0.5% as measured by the S&P/NZX 50 index. The Australian property sector performed even worse than the NZ property sector, losing 3.3% which was well behind the S&P/ASX 200 index which lost 0.5%.

Fund Commentary

While starting the year with a negative return of 1.1% the fund outperformed the index by 0.4%. The largest positive contributors to relative return were overweight positions in **Stride Property Group** (SPG), **Summerset Group** (SUM) and **Metlifecare** (MET). SPG rose 0.6% while retirement names SUM and MET rose 4.6% and 1.6% respectively. SUM benefited from an announcement around good sales and comments that they were seeing strong demand which backs up their upgraded earnings guidance announced late last year. The largest negative contributors to relative return were underweights in **Property for Industry** (PFI) and **CDL Investments** (CDI) and an overweight position in **Investore Property** (IPL). While down 0.6% for the month, PFI outperformed the index which resulted in the drag on our relative return. On no specific news CDI rose 5.6% while IPL fell 3.4% giving up some of its strong performance last quarter.

The key portfolio changes over the move included adding to **Argosy Property** (ARG), **Kiwi Property Group** (KPG) and **Precinct Properties** (PCT). The position in SUM was reduced, taking advantage of the price strength.

News flow was light during the month ahead of a number of earnings results to be announced in February for the period ending December.

(**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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