

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

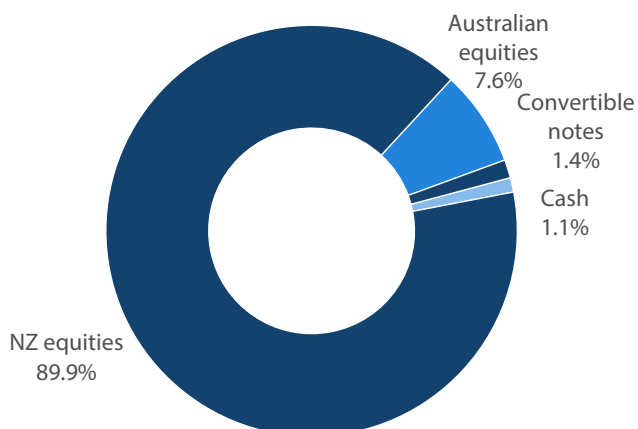
The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three year period.

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 ¹	Benchmark
1 month	1.08%	1.06%
3 months	-2.89%	-3.72%
1 year	9.23%	7.93%
2 years	4.83%	3.93%
3 years (pa)	8.45%	7.82%
5 years (pa)	10.81%	10.20%

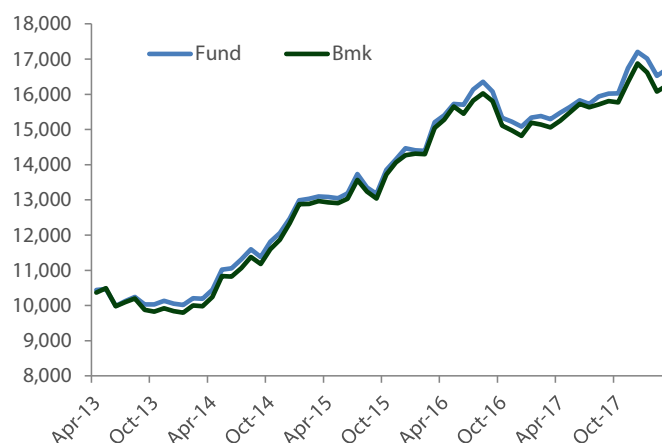
1. Gross Returns are before tax and before the deduction of fees.

Attribution to Performance (quarter)

What helped	What hurt	
Summerset Group	OW	Property for Industry UW
Ingenia	OW	Argosy Property OW
Stride Property Group	OW	Goodman Property UW

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

Five Year Cumulative Performance (gross) ¹



Top 10 Holdings

Name	% of Fund
Kiwi Property Group	18.50%
Stride Stapled Group	14.28%
Argosy Property	14.12%
Goodman Property Trust	11.95%
Precinct Properties	10.22%
Investore Property	5.60%
Property for Industry	4.09%
Ingenia Communities Group	4.06%
Metlifecare	3.86%
Vital Healthcare Property Trust	3.68%
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 \$35.3m	
Fund structure PIE fund	Hedging Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.
Buy/sell spread 0.245% / 0.245%	The fund's foreign currency exposure is currently 95.5% hedged.
Distributions Calendar quarter	

Market Commentary

Global equity markets were volatile over the quarter, starting strongly on the back of US tax reforms before being impacted by rising interest rates and US import tariffs. The S&P 500 index ended the quarter down 1.2%, the UK FTSE 100 down 8.2% and the MSCI World down 1.9% in local currency. The move higher in bond yields was a head wind for the property sector with the New Zealand Property index down 3.7% over the quarter and underperforming the broader market which was down 0.6% as measured by the S&P/NZX 50 index. The Australian property sector performed poorly ending the quarter down more than 6% while the S&P/ASX 200 index was down 3.9%.

Fund Commentary

The fund ended the quarter down 2.9% but 0.8% ahead of the index which was down 3.7%. The largest positive contributors to relative return were overweight positions in **Summerset Group** (SUM), **Ingenia Communities** (INA) and **Stride Property Group** (SPG). SUM and INA both performed well following good earnings results and were up 27.6% and 2.6% (in AUD) respectively. SPG while down 2.3%, outperformed the index over the period. The largest negative contributors to relative return were underweight positions in **Property for Industry** (PFI) and **Goodman Property Trust** (GMT) and an overweight position in **Argosy Property** (ARG). Both PFI and GMT delivered negative returns, down 1.1% and 2.2% respectively, but outperformed the index. PFI delivered a reasonable result during the quarter and GMT announced its draft portfolio revaluation which indicates a \$110 million gain or more than 4% over the year. Despite no negative news, ARG drifted lower over the quarter and ended down 6.1%.

There were only minor changes to positions over the quarter with small up weights in **ARG**, **Kiwi Property Group** (KPG) and **Precinct Properties** (PCT) while the position in SUM was reduced, taking advantage of the price strength.

Over the quarter 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 along with expanding margins. Pleasingly, **INA** reconfirmed guidance and reiterated that growth would be internally funded. **Metlifecare's** (MET) 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 is expected to 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 quarter, announced they will be going ahead with a \$223m retail expansion at Sylvia Park while **ARG** announced the sale of a non-core property for \$31.0 million reflecting a 13% premium to its last valuation.

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

Compliance

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

Contact Us

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Important Information

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