

Factsheet 31 August 2018

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Globally equity markets were mixed with trade and tariff concerns continuing to impact markets
- RBNZ sees rates remaining lower for longer which helped push yield stocks higher
- S&P/NZX Real Estate index up 1.6% compared to S&P/NZX 50 index which was up 4.5%. Australian property index ahead of broader market, up 2.6% compared to S&P/ASX 200 index which was up 1.4%.

## Fund Highlights

- Fund was up 1.7% and ahead of the index
- News flow was heavy with June period end results released
- Key positions that added value were underweights in Vital Healthcare and Goodman Property and overweight position in Mirvac Group

## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	1.69%	5.71%	15.85%	11.40%	12.51%	
Benchmark <sup>2</sup>	1.61%	5.00%	13.55%	10.47%	11.83%	11.06%

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

2. Benchmark: S&P/NZX All Real Estate Industry Group Gross with Imputation Credits Index. No tax or fees.

## Portfolio Manager

**Michael Sherrock,**  
**Portfolio Manager, CFA**

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



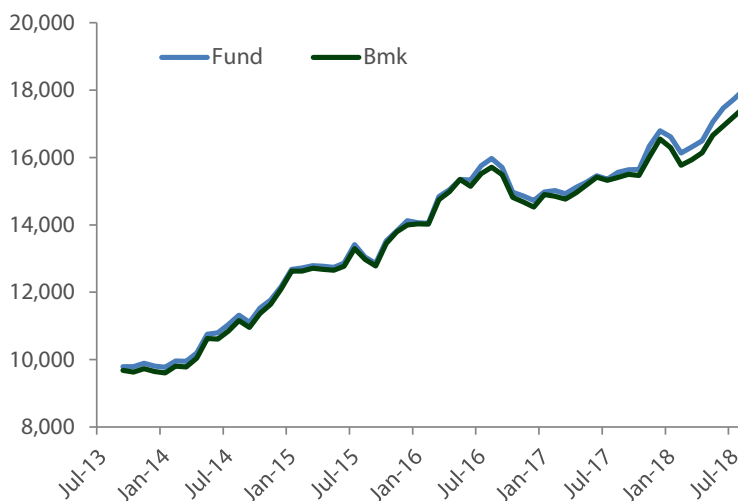
## Overview

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.

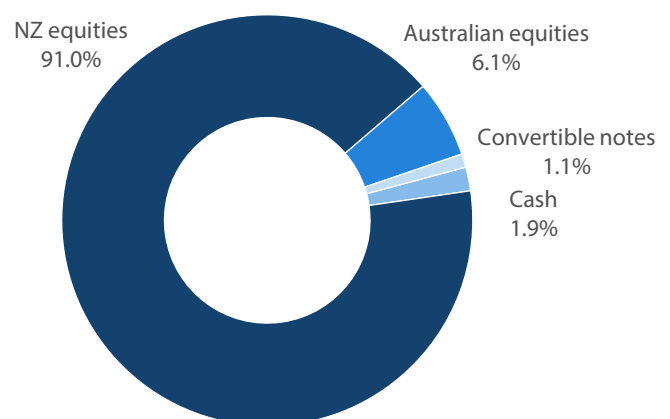
## Objective

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

## Five Year Cumulative Performance<sup>1,2</sup>



## Asset Allocation



Attribution to Performance			
What Helped		What Hurt	
Vital Health Care	UW	Ingenia Comm	OW
Mirvac Group	OW	Precinct Properties	UW
Goodman Prop	UW	Property for Industry	UW
OW: overweight; UW: underweight; NH: no holding – month end position			

Top 10 holdings			
Kiwi Property Group	18.82%	Investore Property	5.83%
Argosy Property Limited	14.98%	Vital Healthcare	4.98%
Stride Stapled Grp NPV	12.24%	MetlifeCare Ltd	4.16%
Precinct Properties	11.34%	Property for Industry	3.87%
Goodman Property Trust	10.58%	Ingenia Comm	3.25%
<b>Number of holdings in fund</b>			<b>17</b>

## Market Commentary

Equity markets globally were mixed during the month with trade and tariff concerns driven out of the United States continuing to impact markets. Adding to this were companies reporting June period end results. The US S&P 500 index performed strongly, up 3.0% while European markets struggled with the Euro Stoxx 50 index and United Kingdom FTSE 100 index down 3.8 and 4.1% respectively. While the NZ property sector rose 1.6% it lagged the broader market with the S&P/NZX 50 index up 4.5%. The Australian property sector had a good month, up 2.6% and ahead of the S&P/ASX 200 index which was up 1.4%.

## Fund Commentary

The fund ended the month up 1.69%, ahead of the index up 1.61%. The largest positive contributors to relative return were underweight positions in **Vital Healthcare** (VHP) and **Goodman Property Trust** (GMT) and an overweight position in **Mirvac Group** (MGR). VHP was one of three New Zealand listed property vehicles to report earnings during the month for the period ended June. VHP's poor disclosure around a deal where they have effectively taken a 5% interest in Australian listed hospital operator Healthscope (HSO) was the focus of their result with the stock down 1.9% for the month. After a strong run over recent months GMT's 0.3% return in August was behind the index and therefore benefited the fund's underweight position. MGR was added to the portfolio in July with the expectation of a good result in August which it delivered on. The stock ended up 6.6% for the month. The largest negative contributors to relative return was an overweight position in **Ingenia Communities** (INA) and underweight positions in **Precinct Properties** (PCT) and **Property for Industry** (PFI). Following a very strong couple of months and a result slightly ahead of guidance, INA gave up 1.9% during the month. PCT reported a strong result which included a 9% property revaluation assisted by their Commercial Bay development in Auckland. PCT also confirmed that One Queen Street (currently the HSBC building) will be converted into a mixed-use property with the bottom of the property having a luxury 244 room hotel and office at the top. Overall PFI's result was fine although there are some vacancies and lease expiries to work through over the next twelve months. PFI rose 3.0% over August.

Key portfolio changes during the month included adding to GMT, VHP and **Argosy Property** (ARG) while the position in MGR was divested following its strong performance.

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

## Key Fund Facts

### Distributions

Calendar quarter.

### Hedging

Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%.  
Currently the fund's foreign currency exposure 95.2% hedged.

### Estimated annual fund charges

Wholesale: negotiated outside of fund

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.245% / 0.245%	February 2010	\$49.2m

## Compliance

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

## Contact Us

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