Factsheet 30 November 2018

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Following last month's sell off, equity markets globally remained volatile.
- The United states S&P 500 index rose 1.8%, the Japanese Nikkei 225 index was up 2.0%, the FTSE 100 index lost 2.1% and the MSCI World index ended up 1.4%
- S&P/NZX Real Estate index was up 4.0% and well ahead of the S&P/NZX 50 index which was up 0.9%. The Australian property index fell 0.3%.

Fund Highlights

- Fund was up 3.5% and underperformed the index.
- A number of the fund's holdings reported half-year earnings results during the month.
- Retirement sector holdings in the funds were a drag on performance while overweight positions in Argosy Property and Ingenia Communities and an underweight position in Property for Industry added value.

Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	3.51%	1.94%	12.41%	9.97%	13.18%	
Benchmark[2]	3.97%	2.93%	12.34%	9.29%	13.10%	

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.

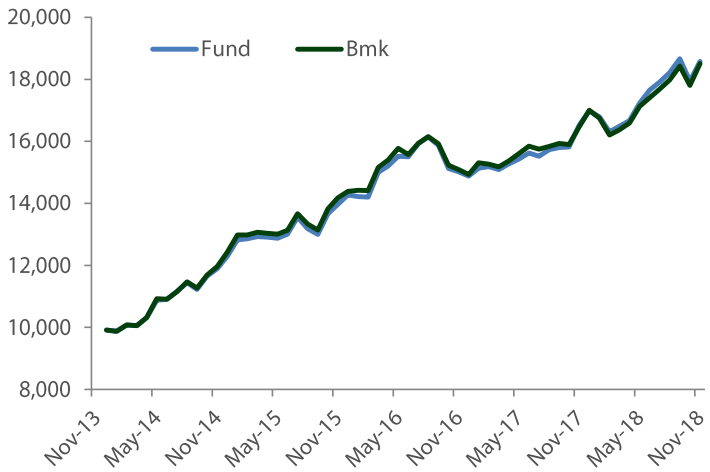
Overview

The Property Strategy 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.

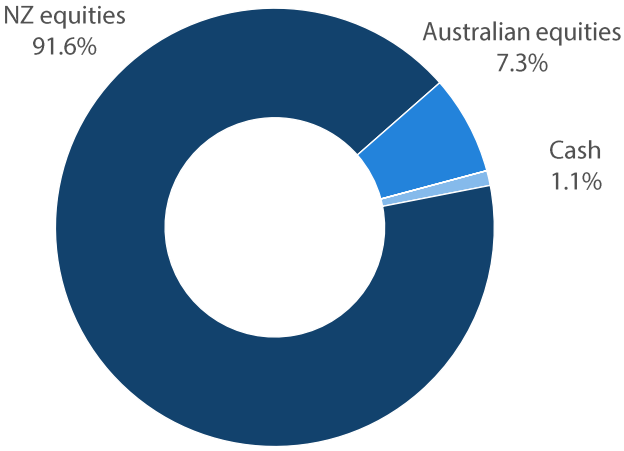
Objective

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

Five Year Cumulative Performance[1, 2]



Asset Allocation



Attribution to Performance			
What Helped		What Hurt	
Argosy Property	OW	Metlifecare	OW
Property for Industry	UW	Stride Property Group	OW
Vital Healthcare	UW	Mirvac Group	OW
OW: overweight; UW: underweight; NH: no holding – month end position			

Top 10 holdings			
Kiwi Property Group	19.55%	Investore Property	5.88%
Argosy Property Limited	16.75%	Property for Industry	4.47%
Stride Stapled Grp NPV	11.53%	Metlifecare Ltd	3. 70%
Precinct Properties	11.30%	Vital Healthcare	3.58%
Goodman Property Trust	10.87%	Ingenia Comm	3.47%
Number of holdings			**16**

Market Commentary

Following last month's broad based sell off, equity markets remained volatile with the never ending back and forward on trade and tariff positioning from the United States and China. The United States S&P 500 index rose 1.8%, the Japanese Nikkei 225 index was up 2.0%, the FTSE 100 index lost 2.1% and the MSCI World index ended up 1.4%. The property sector had a good month, up 4.0% and well ahead of the broader market which rose 0.9% as measured by the S&P/NZX 50 index. The Australian property sector also outperformed the broader index although it did lose 0.3% which compares to the 2.2% fall of the S&P/ASX 200 index.

Fund Commentary

The fund ended the month up 3.5% and 0.5% behind the index which was up 4.0%. It was a busy month in terms of news flow with seven of the fund's holdings reporting half-year earnings. The largest positive contributors to relative return were overweight positions in **Argosy Property** (ARG) and **Ingenia Communities** (INA) and an underweight position in **Property for Industry** (PFI). ARG's half year result was well received by the market and rose 8.4% over the month. INA rose 6.3% (in AUD) following Sun Communities (SUI), a United States listed company with a US$9 billion market capitalisation, making a strategic investment in INA and entering into a partnership on new developments. While PFI rose 1.9% over the month, this was behind the index and as a result our underweight position added relative value. The largest negative contributors to relative return were the retirement holdings **Metlifecare** (MET) and **Summerset** (SUM) and an overweight position in **Stride Property** (SPG). On no specific news MET fell 4.6% while SUM lost 1.2%. Both stocks are being impacted by residential property market sentiment rather than operating conditions. SPG fell 1.1% over the month. SPG's result showed extra costs coming into the business but our view is the outlook for SPG is promising and the costs are to support growth.

Key portfolio changes during the month included adding to INA while making small reductions to **Kiwi Property** (KPG), **Goodman Property** (GMT), **Precinct Properties** and **Vital Healthcare** (VHP).

(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 94.3% hedged

Estimated annual fund charges
Wholesale: negotiated outside of fund

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	$48.4m

Compliance

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

Contact Us

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

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