

Factsheet 31 March 2019

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Equity markets bounced back from the tough end to 2018 with a strong first quarter of 2019.
- The United States S&P 500 index rose 13.1%, the Japanese Nikkei 225 index was up 6.0%, the Euro Stoxx 50 index added 11.7% and the MSCI World index ended up 12.3%.
- While the S&P/NZX Real Estate index was up 8.7% it was behind the S&P/NZX 50 index which was up 12.1%. The Australian property index rose 14.4%.

Fund Highlights

- Fund was up 7.6% and behind the index.
- A number of the fund's holdings reported results for the period ending December 2018 along with a \$150m capital raising by Precinct Properties.
- Overweight positions in Metlifecare and Ingenia Communities and an underweight position in Goodman Property detracted from value. An out of index position in Mirvac and underweight positions in Vital Healthcare and Precinct added value.

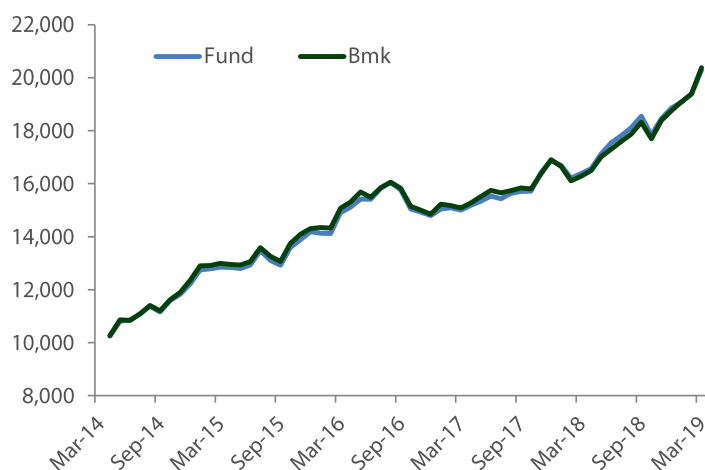
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.62%	7.60%	23.81%	10.80%	15.20%	
Benchmark ²	5.10%	8.69%	25.18%	10.58%	15.30%	

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.

Five Year Cumulative Performance^{1,2}



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.



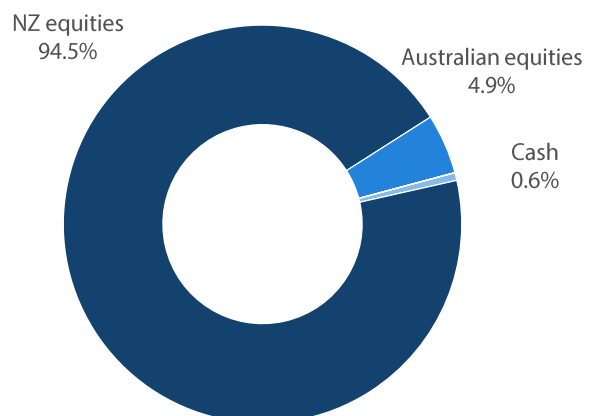
Overview

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.

Asset Allocation



Attribution to Performance (Quarter) (excludes effects of currency)			
What Helped		What Hurt	
Vital Healthcare	UW	Metlifecare	OW
Mirvac Group	OW	Goodman Property	UW
Precinct Properties	UW	Ingenia Communities	OW

OW: overweight; UW: underweight; NH: no holding. Month-end position

Top 10 holdings			
Kiwi Property Group	20.35%	Investore Property	6.05%
Argosy Property Limited	16.53%	Property for Industry	4.88%
Stride Property Group	12.16%	Vital Healthcare	3.62%
Precinct Properties	12.02%	Metlifecare Ltd	3.23%
Goodman Property Trust	11.78%	Ingenia	3.11%
Number of holdings			15

Market Commentary

Equity markets bounced back from the tough end to 2018 with a strong first quarter of 2019. Over the quarter, the United States S&P 500 index rose 13.1%, the Japanese Nikkei 225 index was up 6.0%, the Euro Stoxx 50 index added 11.7% and the MSCI World index ended up 12.3%. While the New Zealand property sector added 8.7% over the quarter it wasn't able to match the broader index with the S&P/NZX 50 index up 12.1%. The Australian property sector had a very strong quarter, up 14.4% and ahead of the broader market which was up 10.9% as measured by the S&P/ASX 200 index.

Fund Commentary

While the fund produced a good absolute return of 7.6%, it was 1.1% behind the index. The largest positive contributors to relative return were underweight positions in **Vital Healthcare (VHP)** and **Precinct Properties (PCT)** and an out of index position in Mirvac Group (MGR). While VHP rose 4.8% it underperformed the sector and continues to be held back by a possible capital raising relating to the potential acquisition of the Healthscope properties. PCT released a good half year result but surprised the market with a \$150 million capital raising to fund property developments not expected to commence for a year or two. The stock rose 6.6% over the period. MGR delivered a strong half-year result and the fund exited its position in February at which point the stock was up 14% (in AUD). The largest detractors from relative performance were overweight positions in **Metlifecare (MET)** and **Ingenia Communities (INA)** and an underweight position in **Goodman Property (GMT)**. During the period MET released a half year earnings result which showed no particular issues but the stock continues to struggle to find support and fell 6.7%. While INA delivered a good half year result the stock was impacted by sentiment around the Australian housing market, rising 2.4% over the quarter. GMT continues to benefit from Investors preference for industrial property exposure and rose 14.4% on no specific news. Key portfolio changes during the month included adding to PCT through the capital raising while making small reductions to **Argosy (ARG)** **Kiwi Property (KPG)** and **INA**. The funds holding in Mirvac Group (MGR) was divested while a small position in **Viva Energy REIT (VVR)** was added following a capital raising and then sold after a good return in a short period.

(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 98.3% hedged

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$49.8m

Compliance

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

Contact Us

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