

Factsheet 31 July 2019

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Equity markets continue to push higher on the back of low interest rates.
- The United States S&P 500 index rose 1.3%, the Japanese Nikkei 225 index increased 1.2%, the FTSE 100 index added 2.2%, the ASX 200 index was up 2.9% and the MSCI World index ended the month up 0.9% - in local currency.
- The S&P/NZX Real Estate index rose 3.3% and slightly behind the broader market with the S&P/NZX 50 index up 3.4%. The Australian property index rose 2.6%.

## Fund Highlights

- Fund was up 2.9% and underperformed the index.
- Overweight positions in Ingenia Communities and Garda Diversified Property and an underweight in Precinct Properties added value. Underweight positions in Goodman Property, Vital Healthcare and Property for Industry detracted from value.

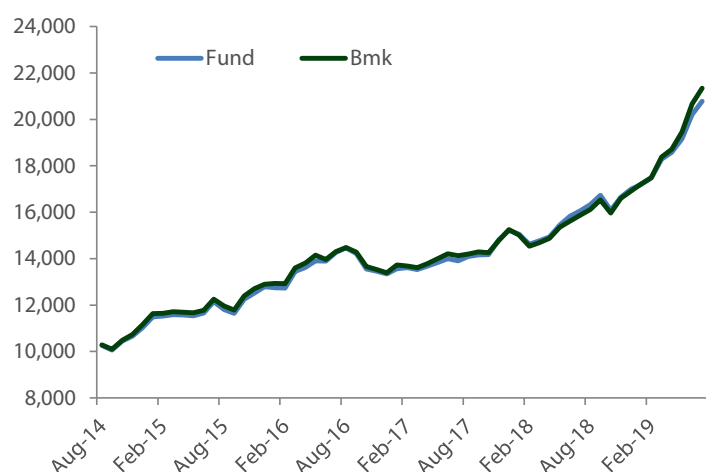
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.85%	11.85%	29.40%	13.34%	15.75%	
Benchmark <sup>2</sup>	3.29%	14.10%	34.52%	14.29%	16.37%	

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, \$10,000 invested<sup>1, 2</sup>



## 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.



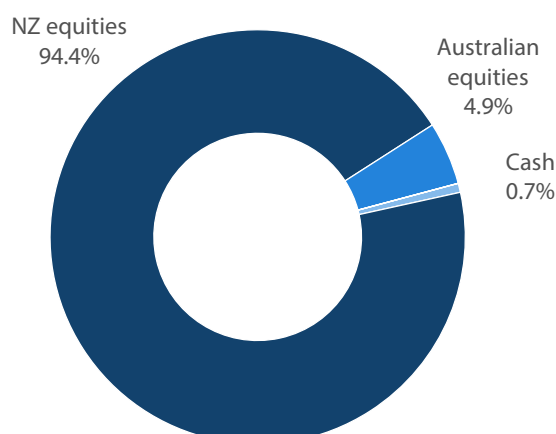
## Overview

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	
Precinct Property Group	UW	Goodman Property Trust	UW
Ingenia Communities	UW	Vital Healthcare	UW
Garda Diversified Property	OW	Property for Industry	UW

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

Top 10 holdings			
Kiwi Property Group limited	19.94%	Investore Property	6.30%
Argosy Property Limited	16.06%	Property for Industry	5.21%
Goodman Property Trust	12.53%	Vital Healthcare	4.00%
Precinct Property Group	12.36%	Ingenia	4.00%
Stride Group	11.83%	Metlifecare	2.58%
<b>Number of holdings</b>			<b>14</b>

## Market Commentary

Equity markets continue to be driven by the low interest rate environment rather than company earnings or the economic outlook. On the back of further reductions in bond rates equity markets pushed higher over the month. The United States S&P 500 index rose 1.3%, the Japanese Nikkei 225 index increased 1.2%, the FTSE 100 index added 2.2%, the ASX 200 index was up 2.9% and the MSCI World index ended the month up 0.9%. The S&P/NZX Real Estate index rose 3.3% and slightly behind the broader market with the S&P/NZX 50 index up 3.4%. The Australian property sector added 2.6% and behind the broader market which was up 2.9% as measured by the S&P/ASX 200 index.

## Fund Commentary

The fund rose 2.9% over the month but wasn't able to match the index which continues its strong run and is now up more than 26% so far this year. The largest positive contributors to relative return were overweight position in **Ingenia Communities (INA)** and **Garda Diversified Property (GDF)** and an underweight in **Precinct Properties (PCT)**. INA rose 5.6% (in AUD) after announcing it has acquired a lifestyle communities funds management business and confirming its earnings result will be at the top end of its guidance range. GDF rose 6.8% after announcing late in June the acquisition of four industrial assets funded via the sale of a property at a 17% premium to book value. PCT underperformed the market, up 0.9% on no specific news. The largest detractors from relative performance were underweight positions in **Goodman Property (GMT)**, **Vital Healthcare (VHP)** and **Property for Industry (PFI)**. Industrial property continues to be in favour with GMT and PFI rising 5.9% and 5.6% respectively. VHP rose 6.3% after announcing a 5.9% portfolio revaluation for the twelve months ending June.

The position in INA was reduced during the month.

Key Fund Facts			
<b>Distributions</b>	<b>Estimated annual fund charges</b>		
Calendar quarter	Wholesale: negotiated outside of fund		
<b>Hedging</b>	<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%	0.20% / 0.20%	February 2010	\$54.7m
Currently the fund's foreign currency exposure is 94.5% hedged			

## Compliance

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

## Contact Us

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