

Factsheet 31 August 2019

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global trade, growth, Hong Kong and Brexit concerns weighed on equity markets.
- The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 index lost 3.8%, the FTSE 100 index dropped 5.0%, the ASX 200 index was down 2.4% and the MSCI World index ended the month down 2.0% in local currency.
- The S&P/NZX Real Estate index rose 3.2% and well ahead of the broader market with the S&P/NZX 50 index down 0.9%. The Australian property index rose 1.3%.

Fund Highlights

- Fund was up 3.2% and performed in line with the index.
- Overweight positions in Ingenia Communities and Summerset and an underweight in Vital Healthcare added value. Underweight positions in Goodman Property and Precinct Properties and an overweight in Metlifecare detracted from value.

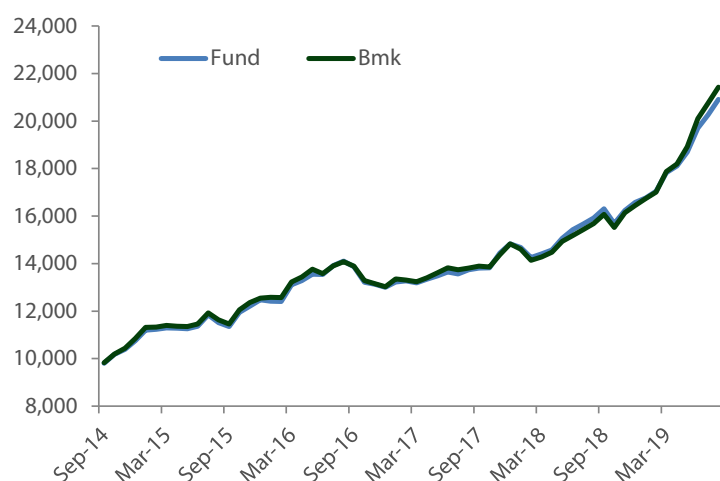
Performance

| | One month | Three months | One Year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | 3.19% | 11.86% | 31.31% | 14.02% | 15.89% | |
| Benchmark ² | 3.20% | 13.24% | 36.63% | 15.00% | 16.46% | |

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^{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.



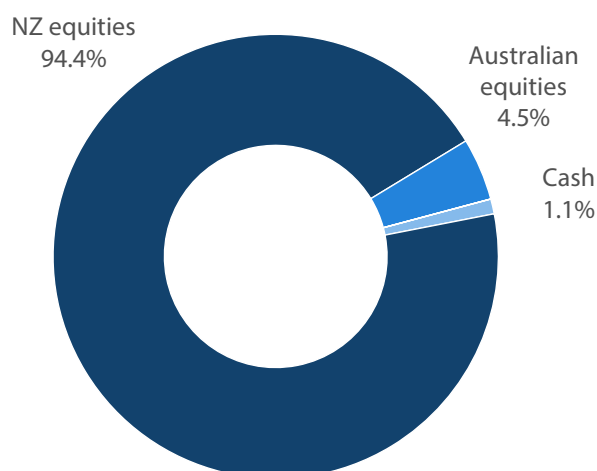
Overview

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 (month) | | | | Top 10 holdings | | | | |
|---|----|-------------------------|----|-------------------------|--------|-----------------------|---------------------------|-----------|
| What Helped | | What Hurt | | Kiwi Property Group | 19.09% | Investore Property | 6.25% | |
| Ingenia Communities | OW | Goodman Property Trust | UW | Argosy Property Limited | 16.11% | Property for Industry | 5.32% | |
| Vital Healthcare | UW | Metlifecare | OW | Goodman Property Trust | 13.17% | Vital Healthcare | 3.97% | |
| Summerset | OW | Precinct Property Group | UW | Precinct Property Group | 12.77% | Metlifecare | 2.53% | |
| OW: overweight; UW: underweight; NH: no holding. Month-end position | | | | Stride Group | 11.57% | Ingenia | 2.52% | |
| | | | | | | | Number of holdings | 15 |

Market Commentary

Back and forward trade tariffs between China and the United States, concerns around global growth, Hong Kong and Brexit all weighed on equity markets. The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 index lost 3.8%, the FTSE 100 index dropped 5.0%, the ASX 200 index was down 2.4% and the MSCI World index ended the month down 2.0%. The hunt for yield continues to dominate the market and drove the S&P/NZX Real Estate index up 3.2% and well ahead of the broader market with the S&P/NZX 50 index down 0.9%. The Australian property sector added 1.3% and also ahead of the broader market which was down 2.4% as measured by the S&P/ASX 200 index.

Fund Commentary

The fund rose 3.2% and matched the index which continues its strong run and is now up more than 30% so far this year. The largest positive contributors to relative return were overweight positions in **Ingenia Communities** (INA) and **Summerset** (SUM) and an underweight in **Vital Healthcare** (VHP). INA backed up the last few months’ strong run adding 15.5% (in AUD) on the back of a good earnings result. SUM rose 8.1% after reporting a result that showed continued demand and price growth for retirement units. VHP’s result was fairly much in line with expectations and ended the month up 0.4%. VHP’s Chief Financial Officer announced his departure during the month which follows the recent departure of the Chief Executive Officer. The largest detractors from relative performance were underweight positions in **Goodman Property** (GMT) and **Precinct Properties** (PCT) and an overweight in **Metlifecare** (MET). GMT continues its strong run, up 6.3% as investors are attracted to its industrial real estate exposure. PCT rose 4.5% following a good earnings update and a dividend that should grow over the next few years. MET fell 0.7% over the month despite reporting a good result that showed retirement unit price growth.

The position in INA was reduced following the strong share price performance but remains a material position in the fund. (**Bold** denotes stocks held in the portfolio)

| Key Fund Facts | | | |
|---|--|---------------------------------------|------------------------|
| Distributions | | Estimated annual fund charges | |
| Calendar quarter | | Wholesale: negotiated outside of fund | |
| Hedging | | Buy / Sell spread: | Strategy Launch |
| 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 |
| Currently the fund’s foreign currency exposure is 91.1% hedged | | | Strategy size |
| | | | \$55.5m |

Compliance

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

Contact Us

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