

Factsheet 30 September 2019

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Low interest rates outweighed global macro concerns to push equity markets higher.
- The United States S&P 500 index rose 1.2%, the Japanese Nikkei 225 index increased 2.3%, the FTSE 100 index fell 0.2%, the ASX 200 index was up 2.4% and the MSCI World index ended the quarter up 0.9% all in local terms.
- The S&P/NZX Real Estate index rose 8.8% and well ahead of the broader market with the S&P/NZX 50 index up 4.4%. The Australian property index rose 1.1%.
- Bond yields continued to fall globally with the NZ 10 year bond ending the quarter at 1.09% and the Australian 10 year bond at 1.02%.

Fund Highlights

- Despite rising 8.2%, the fund was not able to keep up with the index.
- Overweight positions in Ingenia Communities and Summerset and an underweight in Precinct Properties added value. Underweight positions in Goodman Property and Property for Industry and an overweight in Investore Property detracted from value.

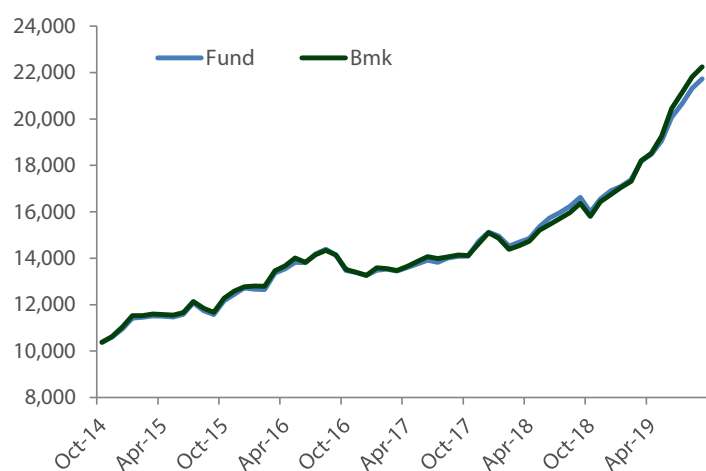
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.95%	8.21%	30.72%	15.41%	16.79%	
Benchmark ²	2.02%	8.75%	35.99%	16.31%	17.34%	

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.



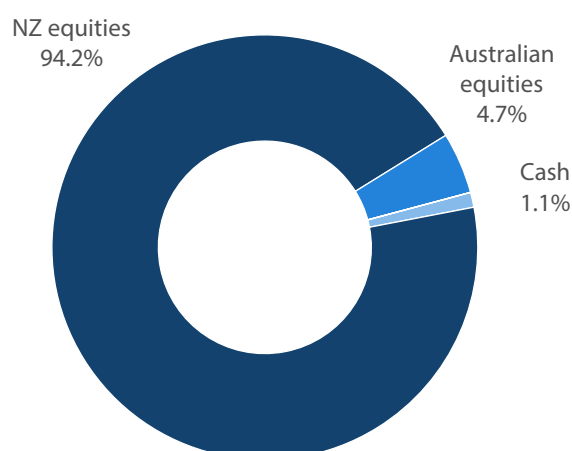
Overview

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 (quarter)				Top 10 holdings				
What Helped		What Hurt		Kiwi Property Group	17.51%	Investore Property	6.11%	
Ingenia Communities	OW	Goodman Property Trust	UW	Argosy Property Limited	16.17%	Property for Industry	5.33%	
Summerset	OW	Property for Industry	UW	Goodman Property Trust	14.23%	Vital Healthcare	4.04%	
Precinct Properties	UW	Investore Property	OW	Precinct Property Group	12.81%	Ingenia	2.67%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Group	11.57%	Metlifecare	2.61%	
							Number of holdings	15

Market Commentary

Equity markets generally ended the quarter higher with the low interest rate environment outweighing trade tariffs between China and the United States, concerns around global growth, Hong Kong, Brexit and an attack on a Saudi Arabia oil facility. The United States S&P 500 index rose 1.2%, the Japanese Nikkei 225 index increased 2.3%, the FTSE 100 index fell 0.2%, the ASX 200 index was up 2.4% and the MSCI World index ended the quarter up 0.9%. The hunt for yield continues to dominate the market and drove the S&P/NZX Real Estate index up 8.8% and well ahead of the broader market with the S&P/NZX 50 index up 4.4%. The Australian property sector added 1.2% behind the broader market which was up 2.4% as measured by the S&P/ASX 200 index.

Fund Commentary

Despite rising 8.2%, the fund was not able to keep up with the index which continues its strong run and is now up 33% so far this year. The largest positive contributors to relative return were overweight position in **Ingenia Communities (INA)** and **Summerset (SUM)** and an underweight in **Precinct Properties (PCT)**. INA continued its recent good run adding 26.0% (in AUD) on the back of a good earnings result. SUM rose 20.2% after reporting a result that showed continued demand and price growth for retirement units. After a very strong June, PCT was a relative underperformer in the September quarter although was still up 6.2%. The largest detractors from relative performance were underweight positions in **Goodman Property (GMT)** and **Property for Industry (PFI)** and an overweight in **Investore Property (IPL)**. Industrial real estate continues to be sought after by investors despite valuations and yields looking stretched with GMT and PFI up 15.5% and 12.2% respectively. GMT also raised \$165m of additional capital to fund recent acquisitions and planned developments. On no specific news, IPL rose 2.9% and underperformed the index.

Key portfolio changes during the quarter included reducing the position in INA following the strong share price performance but remains a material position in the fund. Kiwi Property Group was also reduced while positions in GMT and PCT were increased. (**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	Strategy size
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	\$55.1m
Currently the fund’s foreign currency exposure is 91.1% hedged			

Compliance

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

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