

Factsheet 31 October 2019

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Global macro and trade concerns as well as domestic news and stock placements led to quite different outcomes across markets.
- The United States S&P 500 index rose 2.5%, the Japanese Nikkei 225 index increased 5.4%, the FTSE 100 index fell 2.2%, the ASX 200 index lost 0.4% and the MSCI World index ended the month up 2.3% in local terms.
- The S&P/NZX Real Estate index fell 2.8% and behind the broader market with the S&P/NZX 50 index down 1.2%. The Australian property index rose 1.4%.

Fund Highlights

- The fund fell 1.94%, finishing 0.87% ahead of the index.
- Overweight positions in Ingenia Communities, Metlifecare and Investore Property added value. Underweight positions in Property for Industry and CDL Investments and an overweight in Argosy Property detracted from value.
- The fund participated in both a \$200m capital raising by Kiwi Property and \$131m capital raising by Ingenia Communities.

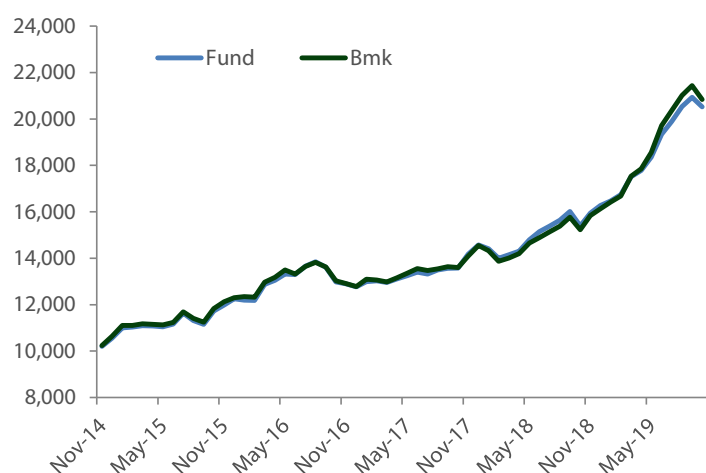
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.94%	3.17%	33.31%	16.50%	15.47%	
Benchmark ²	-2.81%	2.33%	36.83%	16.95%	15.81%	

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.



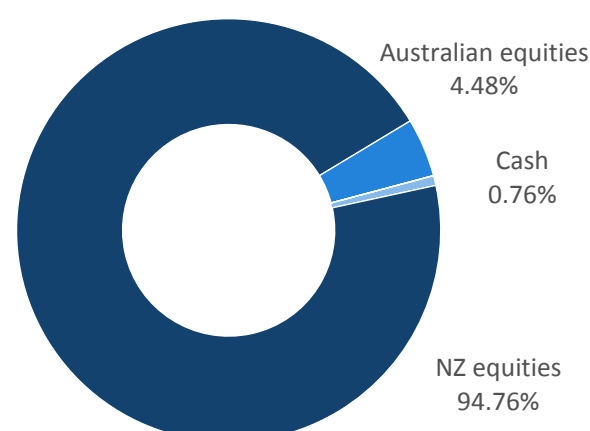
Overview

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	18.52%	Investore Property	6.03%	
Ingenia Communities	OW	Property for Industry	UW	Argosy Property Limited	15.78%	Property for	5.46%	
Metlifecare	OW	Argosy Property Limited	OW	Goodman Property	14.10%	Vital Healthcare	4.07%	
Investore Property	OW	CDL	NH	Precinct Property Group	12.55%	Metlifecare	2.90%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Group	11.44%	Ingenia	2.48%	
							Number of holdings	15

Market Commentary

Equity markets were mixed over the month with economic data, trade negotiations, Brexit, Hong Kong protests and company earnings results impacting on markets. The United States S&P 500 index rose 2.5%, the Japanese Nikkei 225 index increased 5.4%, the FTSE 100 index fell 2.2%, the ASX 200 index lost 0.4% and the MSCI World index ended the month up 2.3%. The property sector was impacted by the \$200 million capital raising by Kiwi Property (KPG) which led to selling across the sector. The S&P/NZX Real Estate index fell 2.8% and behind the broader market with the S&P/NZX 50 index down 1.2%. The Australian property sector added 1.4% and ahead of the broader market which was down 0.4% as measured by the S&P/ASX 200 index.

Fund Commentary

The fund ended the month down 1.94% but 0.87% ahead of the index. The fund had its first down month since October last year. The largest positive contributors to relative return were overweight position in **Ingenia Communities (INA)**, **Metlifecare (MET)** and **Investore Property (IPL)**. INA continued its recent good run adding 9.8% (in AUD) following announcing a \$131.1 million capital raising to fund acquisitions. MET rose 8.1% after announcing a \$30 million buyback at its annual shareholder meeting along with some relatively positive Auckland residential property figures. IPL rose 1.6% on no specific news. The largest detractors from relative performance were an underweight position in **Property for Industry (PFI)**, a nil holding in **CDL Investments (CDI)** and an overweight in **Argosy Property (ARG)**. Despite PFI losing 0.6% it was a relative outperformer while CDI rose 5.0% no doubt buoyed by positive residential property figures. ARG fell 3.8% on no specific news.

Key portfolio changes during the month included adding to INA and **Kiwi Property Group (KPG)** through their capital raisings. The position in INA was reduced late in the month following its strong performance. Positions in **Precinct Properties (PCT)**, ARG and IPL were reduced by small amounts.

(**Bold** denotes stocks held in the 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 is 98% hedged

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$53.5m

Compliance

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

Contact Us

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