

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Equity markets around the world performed strongly over November.
- The United States S&P 500 index rose 3.4%, the Japanese Nikkei 225 index increased 1.6%, the FTSE 100 index was up 1.4%, the ASX 200 index rose 3.3% and the MSCI World index ended the month up 2.9% all in local terms.
- The S&P/NZX Real Estate index fell 0.3% and behind the broader market with the S&P/NZX 50 index up 5.0%. The Australian property index rose 2.3%.

## Fund Highlights

- The fund rose 0.4%, 0.7% ahead of the index.
- Overweight positions in Metlifecare, Summerset and Ingenia Communities added value. Overweight positions in Stride Property and Investore Property and an underweight in Goodman Property detracted from value.
- A number of property vehicles reported their results for the period ending September.
- The fund participated in the \$60 million capital raising by Investore Property.

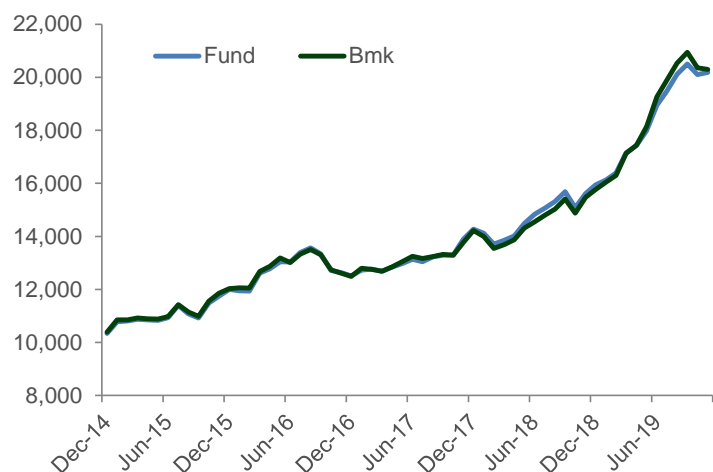
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	0.38%	0.36%	29.28%	16.92%	15.08%	
Benchmark <sup>2</sup>	-0.30%	-1.14%	31.22%	17.19%	15.21%	

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.



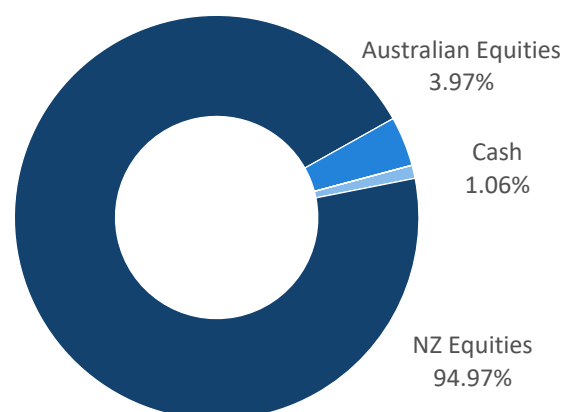
## Overview

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 (month)				Top 10 holdings				
What Helped		What Hurt		Kiwi Property Group	18.29%	Investore Property Ltd	6.10%	
Metlifecare	OW	Goodman Property	UW	Argosy Property Limited	15.68%	Property for Industry	5.34%	
Summerset Group Holdings	OW	Stride Group	OW	Goodman Property	14.44%	Vital Healthcare	4.07%	
Ingenia Communities	OW	Investore Property	OW	Precinct Property Group	12.44%	Metlifecare	3.50%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Group	10.98%	Ingenia	2.05%	
							<b>Number of holdings</b>	<b>15</b>

### Market Commentary

Equity markets performed strongly over the month. The United States S&P 500 index rose 3.4%, the Japanese Nikkei 225 index increased 1.6%, the FTSE 100 index was up 1.4%, the ASX 200 index rose 3.3% and the MSCI World index ended the month up 2.9% all in local terms. The property sector was impacted for the third month in a row by a capital raising, this time Investore Property (IPL) raised \$60 million to acquire three additional properties. The S&P/NZX Real Estate index fell 0.3% and significantly behind the broader market with the S&P/NZX 50 index up 5.0%. The Australian property sector added 2.3% and behind the broader market which was up 3.3% as measured by the S&P/ASX 200 index.

### Fund Commentary

The fund ended the month up 0.4% and 0.7% ahead of the index which ended the month down 0.3%. The largest positive contributors to relative return were overweight position in **Metlifecare (MET)**, **Summerset (SUM)** and **Ingenia Communities (INA)**. MET rose 21.2% after announcing they have received a takeover offer along with improving housing market data. SUM, also supported by the improving housing market data and no doubt flow on impact from the MET takeover offer, rose 17%. INA continues its good run and rose 6.8% (in AUD). The largest detractors from relative performance were overweight positions in **Stride Property (SPG)** and **Investore Property (IPL)** and an underweight in **Goodman Property (GMT)**. Despite reporting a good earnings result SPG fell 3.5% as stocks were sold to raise money to fund the IPL capital raise along with KPG's which occurred on the last day of the previous month. IPL fell 5.5% but ended the month ahead of its capital raising price. GMT rose 1.2% on the back of a strong earnings result.

Key portfolio changes during the month included adding to GMT along with IPL through its capital raising. The position in INA was reduced as the stock continues to perform very strongly.

(**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 99% hedged.

#### Estimated annual fund charges

Wholesale: negotiated outside of fund

#### Buy / Sell spread:

0.20% / 0.20%

#### Strategy Launch

February 2010

#### Strategy size

\$53.8m

### Compliance

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

### Contact Us

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