

Factsheet 31 December 2019

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Low interest rates eased modestly higher and continued supporting equity markets pushing higher.
- Over the quarter, the United States S&P 500 index rose 8.5%, the Japanese Nikkei 225 index increased 8.7%, the UK FTSE 100 index ground only 1.8% higher, the Australian ASX 200 index was up 0.7% and the MSCI World index ended the quarter up 8.7%, all in local terms.
- Bond yields eased with the NZ 10 year bond ending the quarter at 1.65%, the Australian 10 year bond at 1.37% and US 10 year bond at 1.92%.
- The S&P/NZX Real Estate index fell 0.4% and behind the broader market with the S&P/NZX 50 index up 5.3% for the quarter. The Australian property index fell 4.3%.

## Fund Highlights

- The fund rose 1.69%, 2.08% ahead of the index for the quarter.
- Overweight positions in Metlifecare, Summerset, Ingenia Communities and Stride added value.
- Overweight positions in Argosy Property and an underweight in Vital Healthcare detracted from value.

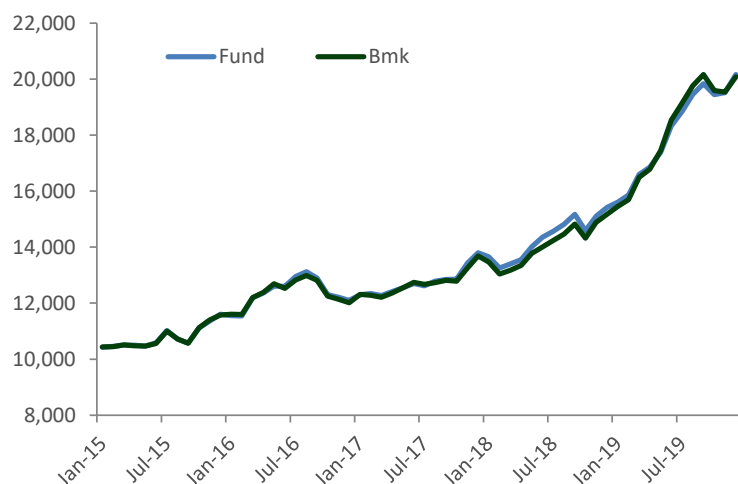
## Performance

|                        | One month | Three months | One Year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale <sup>1</sup> | 3.31%     | 1.69%        | 30.79%   | 18.57%            | 15.06%           |                 |
| Benchmark <sup>2</sup> | 2.80%     | -0.39%       | 32.37%   | 18.68%            | 14.96%           |                 |

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.



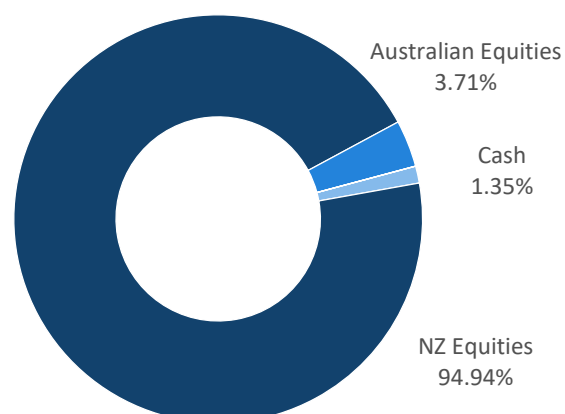
## Overview

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     | 17.37% | Property for Industry     | 4.94%     |
| Metlifecare   | OW | Argosy Property       | OW | Goodman Property        | 15.94% | Vital Healthcare          | 3.85%     |
| Summerset Group Holdings  | OW | Vital Healthcare      | UW | Argosy Property         | 14.35% | Metlifecare               | 3.64%     |
| Ingenia Communities   | OW | Property for Industry | UW | Stride Group            | 12.30% | Summerset Group           | 2.01%     |
| OW: overweight; UW: underweight; NH: no holding. Month-end position |    |                       |    | Precinct Property Group | 12.11% | Ingenia                   | 1.49%     |
|   |    |                       |    |                         |        | <b>Number of holdings</b> | <b>15</b> |

## Market Commentary

Equity markets performed strongly over the quarter. 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%. 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 0.4% and significantly behind the broader market with the S&P/NZX 50 index up 5.34%. 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 quarter up 1.69% which was 2.08% ahead of the index. The largest positive contributors to relative return were overweight position in **Metlifecare (MET)**, **Summerset (SUM)** and **Ingenia Communities (INA)**. MET rose 53% after announcing they have received a takeover offer, which following negotiation by the Board and an improved price offer, has now been recommended by Board. The offer is revised \$7.00 versus the 30 September 2019 price of \$4.46. SUM, also supported by the improving housing market data and no doubt flow on impact from the MET takeover offer, rose 34%. INA continues its good run and rose 22% (in AUD). The largest detractors from relative performance was an overweight position in **Argosy Property (ARG)**. Underweights in **Vital Healthcare (VHP)** and **Property for Industry (PFI)**. Despite reporting a good earnings result ARG fell 4.56% as stocks were sold to raise money to fund the IPL capital raise along with **Kiwi Property Group's (KPG)** which occurred on the last day of the previous month. VHP performed strongly over the quarter with support for proposed dual listing on the ASX in 2020. PFI rose 2.74% on the back of a strong earnings result including revaluations.

Key portfolio changes during the month included adding to **Goodman Property Trust (GMT)** along with IPL and KPG through their capital raisings. The position in INA was reduced as the stock continues to perform very strongly. (**Bold** denotes stocks held in the portfolio)

## 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%.<br>Currently the fund's foreign currency exposure is 89.4% hedged. | 0.20% / 0.20%                         | February 2010          | \$60.45m             |

## Compliance

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

## Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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