

Factsheet 31 January 2020

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Equity markets struggled with direction with US earnings results generally positive but global concerns around coronavirus pulling the other way.
- The United States S&P 500 index lost 0.2%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index lost 3.4%, the Australian ASX 200 index was up 5.0% and the MSCI World index ended the month down 0.6%.
- Bond yields fell in response to coronavirus concerns with the NZ Government 10-year bond ending the month at 1.3%, the Australian 10-year bond at 0.95% and US 10-year bond at 1.51%.
- The S&P/NZX Real Estate index rose 2.4% and ahead of the broader market with the S&P/NZX 50 index up 2.0%. The Australian property index rose 6.3%.

Fund Highlights

- The fund rose 2.3%, 0.1% behind the index.
- Underweight positions in Vital Healthcare and Kiwi Property and an overweight position in Argosy Property added value. Underweight positions in Goodman Property and Augusta Capital and an overweight in Ingenia Communities detracted from value.
- The fund participated in the sell down of stock in Oceania Healthcare by an existing shareholder.

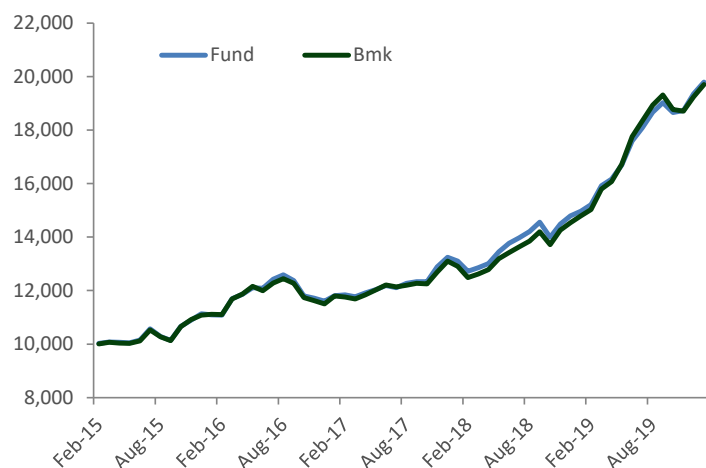
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.28%	6.07%	32.22%	18.80%	14.63%	
Benchmark ²	2.40%	4.96%	33.15%	18.63%	14.52%	

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.



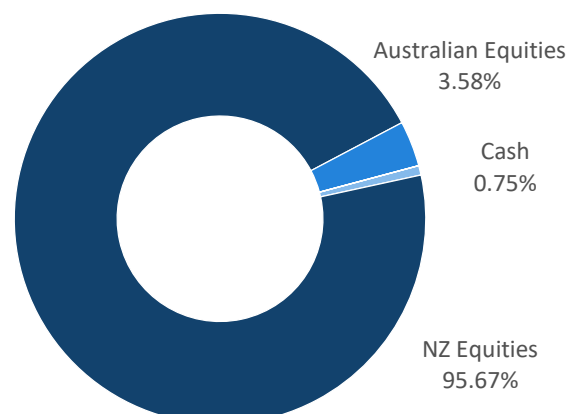
Overview

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	17.15%	Investore Property	6.56%	
Vital Healthcare	UW	Goodman Property	UW	Goodman Property	16.40%	Property for Industry	4.97%	
Kiwi Property Group	UW	Augusta Capital	UW	Argosy Property	14.64%	Vital Healthcare	3.74%	
Argosy Property	OW	Ingenia Communities	OW	Stride Group	12.30%	Metlifecare	3.00%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Precinct Property Group	12.21%	Summerset Group	1.98%	
							Number of holdings	17

Market Commentary

Equity markets struggled with direction with US earnings results generally positive but global concerns around coronavirus pulling the other way. The United Kingdom’s exit from the European Union also became official as of the end of January. The United States S&P 500 index lost 0.2%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index lost 3.4%, the Australian ASX 200 index was up 5.0% and the MSCI World index ended the month down 0.6%. While the New Zealand market was up for the month, it was insulated from the last day sell off of offshore markets which occurred after the New Zealand market had closed.

Retirement and aged care provider **Oceania Healthcare** (OCA) saw a large parcel of shares traded as an existing shareholder sold down their stake worth more than \$300 million. The S&P/NZX Real Estate index rose 2.4% and ahead of the broader market with the S&P/NZX 50 index up 2.0%. The Australian property sector added 6.3% and ahead of the broader market which was up 5.0% as measured by the S&P/ASX 200 index.

Fund Commentary

The fund ended the month up 2.3% and 0.1% behind the index. The largest positive contributors to relative return were underweight positions in **Vital Healthcare** (VHP) and **Kiwi Property** (KPG) and an overweight position in **Argosy Property** (ARG). On no particular news VHP fell 1.4% while KPG rose 0.3% and ARG added 3.6%. The largest detractors from relative performance were underweight positions in **Goodman Property** (GMT) and **Augusta Capital** (AUG) and an overweight in **Ingenia Communities** (INA). GMT rose 4.5% on no specific news while AUG jumped 31.3% following a takeover bid for the company by Australian listed vehicle Centuria Capital. INA lost 3.6% following its strong recent run but was also impacted by the bush fires in Australia which will see its earnings result at the bottom of its previously guided range.

Key portfolio changes during the month included adding OCA to the fund through the previously mentioned sell down by an existing shareholder. The funds position in **Metlifecare** (MET) was reduced during the month.

(**Bold** denotes stocks held in the portfolio)

Key Fund Facts

Distributions

Calendar quarter

Estimated annual fund charges

Wholesale: negotiated outside of fund

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 98.6% hedged.

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$61.4m

Compliance

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

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