

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- COVID-19 fears saw equity markets sell off sharply and bond yields rally around the globe.
- The United States S&P 500 index lost 8.4%, the Japanese Nikkei 225 index fell 8.9%, the UK FTSE 100 index lost 9.7%, while the Australian ASX 200 index fell 7.7% and the MSCI World index ended the month down 8.2% in local terms.
- Bond yields fell in response to coronavirus concerns with the NZ 10-year bond ending the month at 1.05%, the Australian 10-year bond at 0.82% and US 10-year bond at 1.15%.
- The S&P/NZX Real Estate index fell 1.9% but was ahead of the broader market with the S&P/NZX 50 index down 3.9%. The Australian property index lost 4.7%.

Fund Highlights

- The fund fell 2.6%, 0.7% behind the index.
- Overweight positions in Ingenia Communities and Metlifecare and an underweight position in Kiwi Property added value. Overweight positions in Summerset and Stride Property and an underweight position in Vital Healthcare detracted from value.
- The fund participated in the sell down of stock in Viva Energy REIT by an existing shareholder.

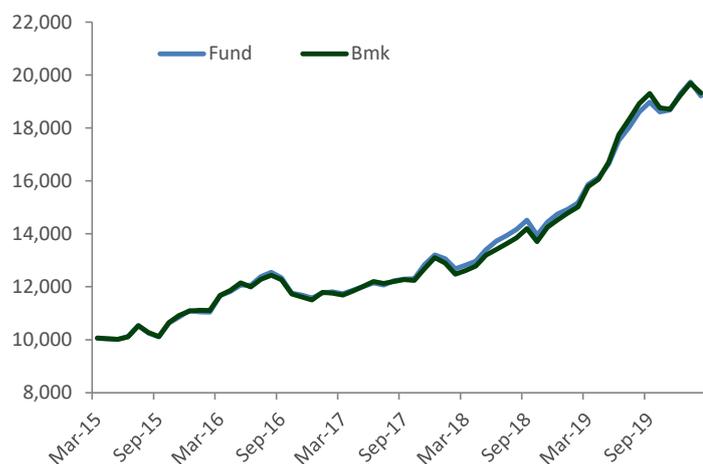
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.62%	2.90%	26.66%	17.63%	13.95%	
Benchmark ²	-1.88%	3.29%	28.60%	18.01%	14.08%	

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.



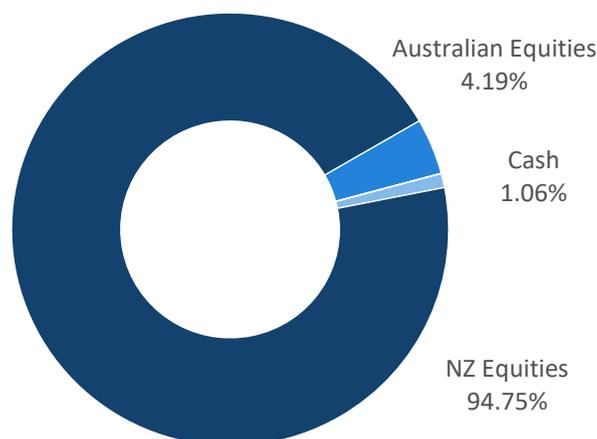
Overview

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		Goodman Property	16.88%	Investore Property	6.35%	
Kiwi Property Group	UW	Stride Property	OW	Kiwi Property Group	16.36%	Property for Industry	5.13%	
Ingenia Communities	OW	Summerset Group	OW	Argosy Property	14.61%	Vital Healthcare	3.94%	
Metlifecare	OW	Vital Healthcare	UW	Precinct Property Group	13.74%	Summerset Group	1.79%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Property	11.88%	Ingenia Communities	1.51%	
							Number of holdings	18

Market Commentary

Global concerns around coronavirus overwhelmed all other news from investment markets. The spread of the virus and the gathering momentum in deaths which inevitably followed, caused countries around the world to announce policy aimed to control the virus' spread. Trade developments, Brexit implications, supportive economic statistics (historical numbers) and generally positive earnings season announcements all took a back seat to COVID-19. The defensive characteristics of the New Zealand market somewhat insulated us from larger markets falls. The negative economic growth implications are now being digested by investment markets, central banks and governments, with initial policy responses emerging.

Fund Commentary

The fund ended the month down 2.6%, 0.7% behind the index. The largest positive contributors to relative return were overweight positions in **Ingenia Communities** (INA) and **Metlifecare** (MET) and an underweight position in **Kiwi Property** (KPG). INA performed well on the back of a solid earnings result before pulling back late in the month as markets sold off on virus concerns but still ended up 5.5% for the month. MET, which is under takeover offer was effectively flat for the month with a 0.1% return. KPG fell 7.4% over the month on no specific news other than investors taking risk off the table. The largest detractors from relative performance were overweight positions in **Summerset Group** (SUM) and **Stride Property** (SPG) and an underweight position in **Vital Healthcare** (VHP). While SUM reported an earnings result slightly ahead of market expectations, its outlook for 2020 was lower than the market was looking for and fell 12.3%. We remain very comfortable with the company's long term growth outlook. SPG fell 6.3% on no specific news while VHP rose 2.5% following the release of its half-year earnings and also announced the acquisitions of three aged care facility properties.

Key portfolio changes during the month included adding to **Oceania Healthcare** (OCA) and **Precinct Properties** (PCT) while positions in MET and **Argosy Property** (ARG) were reduced.

(**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 98.5% hedged.

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$59.7m

Compliance

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

Contact Us

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