

Factsheet 31 March 2020

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- The global response to COVID-19 saw equity markets sell off sharply and bond yields rally around the globe.
- Over the quarter the US S&P 500 index lost 20.0%, the Japanese Nikkei 225 index fell 20.0%, the UK FTSE 100 index lost 24.8%, while the Australian ASX 200 index fell 23.4% and the MSCI World index ended the quarter down 19.5% (in local currency).
- The S&P/NZX Real Estate index fell 20.3% and underperformed the broader market with the S&P/NZX 50 index down 14.6%. The Australian property index had a very tough quarter, down 34.3%.

## Fund Highlights

- In an extremely volatile quarter the fund underperformed the index falling 23.1%, 2.9% behind the index.
- Underweight positions in Kiwi Property and Augusta Capital and an overweight position in Investore Property added value.
- Overweight positions in Stride Property and Argosy Property and an underweight position in Goodman Property detracted from value.
- The fund participated in the sell down of stock in Viva Energy REIT and Oceania Healthcare by existing shareholders.

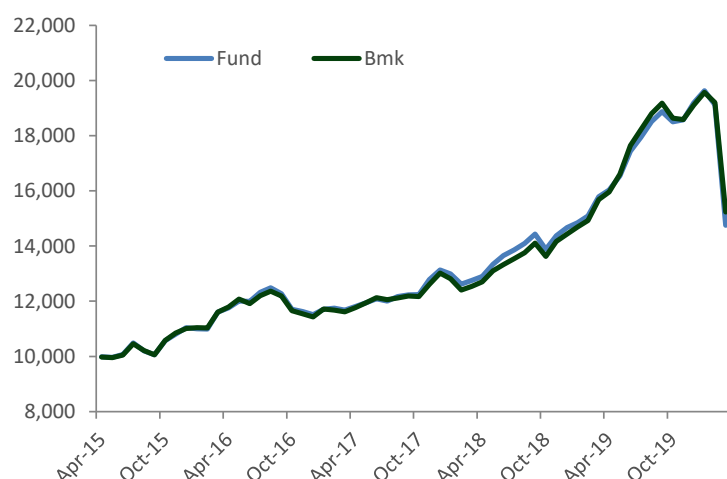
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-22.82%	-23.13%	-6.56%	8.11%	8.09%	
Benchmark <sup>2</sup>	-20.64%	-20.26%	-2.89%	9.47%	8.79%	

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.



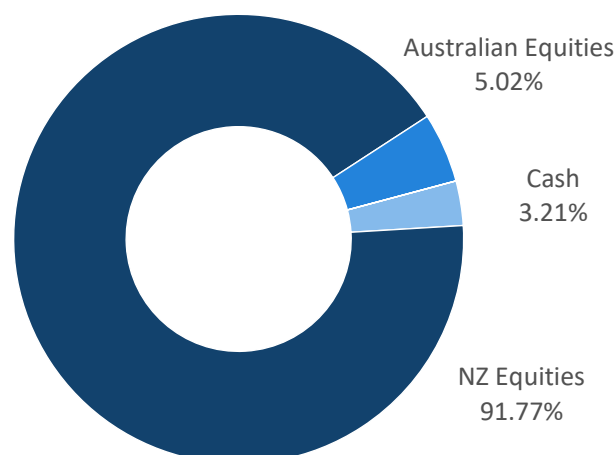
## Overview

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 (quarter)				Top 10 holdings			
What Helped		What Hurt		Goodman Property	20.41%	Investore Property	7.53%
Kiwi Property Group	UW	Stride Property	OW	Precinct Property Group	15.30%	Property for Industry	5.75%
Investore Property	OW	Goodman Property	UW	Kiwi Property Group	13.41%	Vital Healthcare	4.13%
Augusta Capital	UW	Argosy Property	OW	Argosy Property	11.79%	Summerset Group	1.85%
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Property	9.43%	Ingenia Communities	1.39%
Number of holdings							17

## Market Commentary

Global concerns around COVID-19 overwhelmed all other news from investment markets. As the virus spread across the globe and the gathering momentum in deaths which inevitably followed caused countries around the world to announce policy aimed at controlling the virus' spread. Countries forced citizens to stay at home and isolate and businesses to close resulting in a massive economic fallout which has been reflected in financial markets. The monetary and fiscal response from governments and central banks has been enormous but only time to tell how long the business closures will last, how fast the recovery will be and what shape those businesses that survive will be in. In the real estate space, retail landlords not exposed to supermarkets are likely the most impacted.

## Fund Commentary

The fund ended the quarter down 23.1% and 2.9% behind the index with wild swings in individual stock prices and ultimately large drops over the quarter. The largest positive contributors to relative return were underweight positions in **Kiwi Property** (KPG) and **Augusta Capital** (AUG) and an overweight position in **Investore Property** (IPL). KPG fell 39.7% during the period as investors punished it for its retail property exposure. AUG had a huge swing over the quarter, initially up 45% on the back of a takeover offer but ending down 23.7% as the offer was pulled due to COVID-19. IPL benefited from its supermarket exposure and while it fell 8.1% it outperformed the index.

The largest detractors from relative performance were overweight positions in **Stride Property** (SPG) and **Argosy Property** (ARG) and an underweight position in **Goodman Property** (GMT). SPG fell 41.2% while ARG fell 33.9% with investors concerned about SPG's retail property exposure and ARG's higher than sector average debt level. ARG also had a property sale fall over on settlement day with ARG retaining the \$4.5m non-refundable deposit. GMT only fell 2.6% as it benefited from buying associated with being added to a global real estate index and also its industrial / logistics property exposure.

Key portfolio changes during the quarter included adding **Oceania Healthcare** (OCA) and **Viva Energy** REIT (VVR) through the previously mentioned sell down by existing shareholders. The funds position in Metlifecare (MET) was divested.

(**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 84.3% hedged.

### Estimated annual fund charges

Wholesale: negotiated outside of fund

**Buy / Sell spread:**  
0.20% / 0.20%

**Strategy Launch**  
February 2010

**Strategy size**  
\$47.2m

## Compliance

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

## Contact Us

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