

Factsheet 30 April 2020

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Equity markets had a strong month, recovering some of the large sell off that occurred in March as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index jumped 12.7%, the Japanese Nikkei 225 index rose 6.8%, the UK FTSE 100 index gained 4.0%, the Australian ASX 200 index increased 9.0% and the MSCI World index ended the month up 10.4%.
- The S&P/NZX 50 index rose 7.5%, recovering some of last month's decline.

## Fund Highlights

- The fund rose 5.2%, 1.5% ahead of the index return.
- Overweight positions in Arogy Property and Stride Property and an underweight in Precinct Properties added value. Underweight positions in Property for Industry and Goodman Property and an overweight position in Centuria Industrial REIT detracted from value.
- The fund participated in the capital raisings of Investore Property, Ingenia Communities and Auckland International Airport.

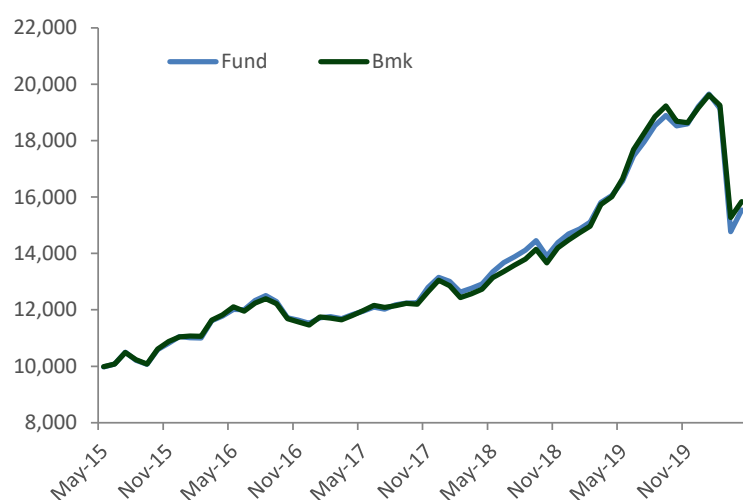
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	5.19%	-20.95%	-3.24%	9.52%	9.21%	
Benchmark <sup>2</sup>	3.69%	-19.25%	-1.05%	10.33%	9.64%	

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.



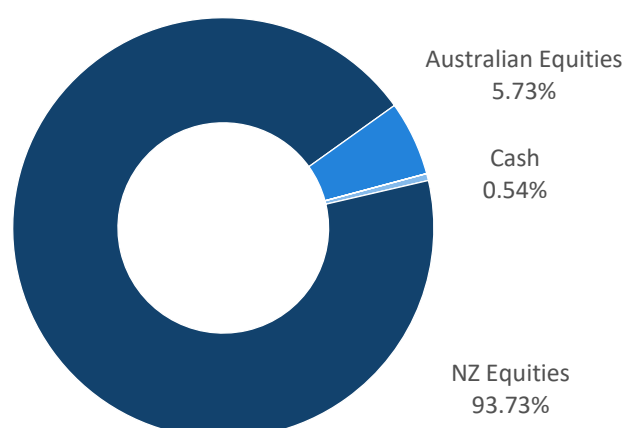
## Overview

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		Goodman Property	19.91%	Investore Property	9.39%	
Argosy Property	OW	Property for Industry	UW	Precinct Properties	13.71%	Property for Industry	6.22%	
Precinct Properties	UW	Centuria Industrial	OW	Argosy Property	13.55%	Vital Healthcare	4.03%	
Stride Property	OW	Goodman Property	UW	Kiwi Property Group	12.67%	Summerset Group	1.72%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Property	9.74%	Centuria Industrial	1.52%	
							<b>Number of holdings</b>	<b>19</b>

## Market Commentary

Equity markets had a strong month, recovering some of the large sell off that occurred in March as investors weighed up the health and economic impacts of COVID-19. The monetary and fiscal response from governments and central banks continued to evolve and expand to counter the forced closure of businesses. Throughout April companies raised equity and expanded their bank loan facilities to help fund them through their uncertain earnings outlook. Property securities were not immune with retail landlords particularly exposed as their tenants were forced to close. Dividends were cancelled, guidance suspended and valuations were impacted with retail down the most, office somewhat and industrial relatively little impacted.

## Fund Commentary

The fund ended the month up 5.2% and 1.5% ahead of the index which rose 3.7% over the month. The largest positive contributors to relative return were overweight positions in **Argosy Property (ARG)** and **Stride Property (SPG)** and an underweight position in **Precinct Properties (PCT)**. After falling heavily in March, ARG rose 17.8% in April after reconfirming their dividend guidance and a 3.6% portfolio revaluation. ARG also had a property sale fall over but retained a \$4.5m deposit as the purchaser was unable to settle. SPG who had three property sales settle during the month rose 10.2%, recovering some of March’s fall while PCT, who outperformed in March, fell 6.7% in April.

The largest detractors from relative performance were underweight positions in **Property for Industry (PFI)** and **Goodman Property (GMT)** and an overweight position in **Centuria Industrial REIT (CIP)**. PFI withdrew its earnings and dividend guidance but benefited from investors demand for industrial exposure and rose 7.4%. GMT rose 5.1%, also benefiting from its industrial real estate exposure. CIP rose 1.9% (in AUD) but underperformed the index as it digested a \$140 million equity raising.

Key portfolio changes during the month included adding to **Investore Property (IPL)**, **Centuria Industrial REIT (CIP)** and **Ingenia Communities (INA)** through their capital raisings. Auckland International Airport (AIA) was also added to the fund through its capital raising although was divested later in the month. **Metlifecare (MET)** was added back to the fund after being divested in March. Positions in **Kiwi Property (KPG)**, **Goodman Property Trust (GMT)** and **Summerset (SUM)** 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 94.0% hedged.

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$49.75m

## Compliance

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

## Contact Us

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