

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Equity markets bounced back strongly in the June quarter and recovered the losses incurred in March as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index rose 20.0%, the Japanese Nikkei 225 index was up 17.8%, the UK FTSE 100 index gained 8.8%, the Australian ASX 200 index increased 16.5% and the MSCI World index ended the month up 17.9%.
- The S&P/NZX Real Estate index rose 6.8% and underperformed the broader market with the S&P/NZX 50 index up 16.9%. The Australian property index had a good quarter, up 20.2%.

Fund Highlights

- The fund rose 11.1% for the quarter, 426 basis points (bps) ahead of the index return.
- Overweight positions in Argosy Property and Stride Property and an underweight in Goodman Property Trust added value. Underweight positions in Property for Industry and Kiwi Property and an overweight position Asset Plus detracted from value.
- The fund participated in the capital raisings of Investore Property, Ingenia Communities, Centuria Industrial REIT, Augusta Capital and Auckland International Airport.

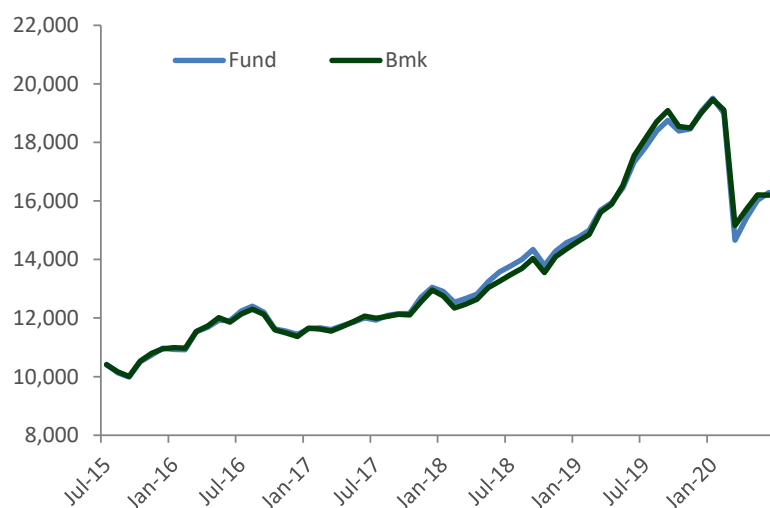
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.65%	11.09%	-6.03%	10.68%	10.25%	
Benchmark ²	-0.09%	6.83%	-7.71%	10.31%	10.12%	

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.



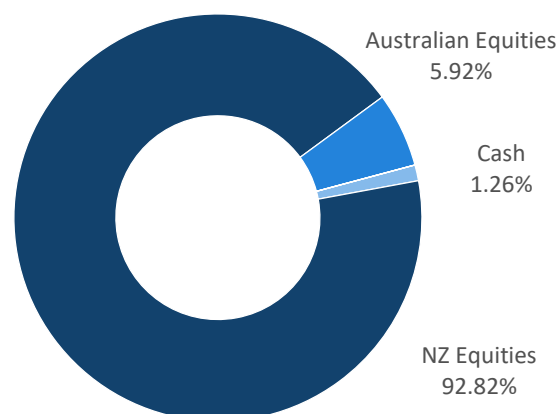
Overview

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 (quarter)				Top 10 holdings				
What Helped		What Hurt		Goodman Property	18.02%	Investore Property	9.35%	
Argosy Property	OW	Property for Industry	UW	Argosy Property	14.16%	Property for Industry	6.33%	
Stride Property	OW	Kiwi Property Group	UW	Precinct Properties	13.25%	Vital Healthcare	3.94%	
Goodman Property	UW	Asset Plus	OW	Kiwi Property Group	12.89%	Summerset Group	1.60%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Property	10.68%	Ingenia Communities	1.52%	
							Number of holdings	17

Market Commentary

Equity markets around the globe had a strong June quarter and recovered a lot of the losses incurred in March as investors weighed 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. The New Zealand government announced a large fiscal package to help stimulate the economy in response to COVID-19 impacts as part of its budget. New Zealand ended the quarter with effectively no restrictions other than international travel as community transmission of COVID-19 was eliminated and with the increased economic activity comes more certainty for landlords around rent collection. The uncertainty going forward will be around business failures and resulting increased vacancy, rent growth or reduced space requirements as working from home becomes permanent for some.

Fund Commentary

The fund ended the quarter up 11.1% and 4.3% ahead of the index which rose 6.8% over the quarter. The largest positive contributors to relative return were overweight positions in **Argosy Property (ARG)** and **Stride Property (SPG)** and an underweight in **Goodman Property Trust (GMT)**. ARG, up 31.1%, reported a good earnings result but more importantly guided to its dividend for the year ahead to be the same as last year which was better than some in the market expected. SPG was another holding that surprised some in the market by guiding for its dividend to be the same as last year and ended the quarter up 31.7%. GMT fell 4.5% after changing its payout policy which will see distributions reduced going forward.

The largest detractors from relative performance were underweight positions in **Property for Industry (PFI)** and **Kiwi Property (KPG)** and an overweight position in **Asset Plus (APL)**. PFI rose 17.2% as it regained most of the share price decline that occurred in March. KPG rose 11.7% after announcing at its earnings' result that foot traffic was relatively good as COVID-19 restrictions eased and will pay an interim dividend. APL fell 12.8% as it suffered from a portfolio exposed to retail and development projects.

Key portfolio changes during the quarter included adding to **Investore Property (IPL)**, **Augusta Capital (AUG)**, **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 during the quarter. **Metlifecare (MET)** was added back to the fund after being divested in March.

(**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 99.6% hedged.

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread:
0.20% / 0.20%

Strategy Launch
February 2010

Strategy size
\$53.2m

Compliance

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

Contact Us

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