

Factsheet 31 August 2020

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Supported by low interest rates, equity markets globally had a strong performance during the month and somewhat ignored the health and economic impacts from COVID-19.
- The United States S&P 500 index rose 7.0%, the Japanese Nikkei 225 index was up 6.6%, the UK FTSE 100 index added 1.1%, the Australian ASX 200 index increased 2.8% and the MSCI World index ended the month up 6.1%.
- The S&P/NZX Real Estate index rose 3.1% and outperformed the broader market with the S&P/NZX 50 index up 1.8%. The Australian property index ended the month up 8.0%.

Fund Highlights

- The fund rose 3.3%, 0.2% ahead of the index return.
- News flow was high during the month with a number of the fund's holdings reporting earnings for the period ended June.
- Overweight positions in Investore Property and Argosy and an underweight position in Precinct Properties added value. Underweight positions Vital Healthcare and Property for Industry and an overweight position in Stride Property detracted from value.

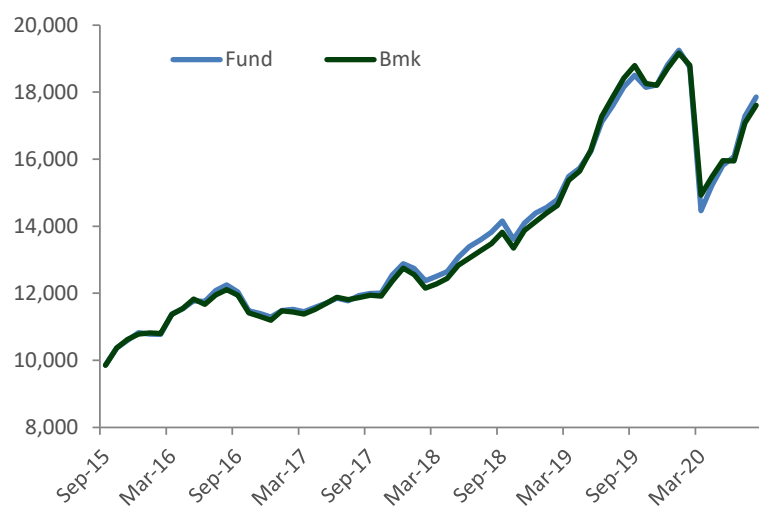
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.30%	12.91%	-1.65%	14.37%	12.29%	-
Benchmark ²	3.11%	10.34%	-4.39%	14.05%	11.98%	-

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



Responsible for the Property and NZ Equities Fund. Covers the Property, Energy, Materials and Retirement sectors. Nineteen years of experience within the finance industry including Schroders in the UK and ASB Group Investments in New Zealand. Michael holds a Bachelor of Commerce degree from the University of Auckland and is a CFA charter holder. Joined in 2006.

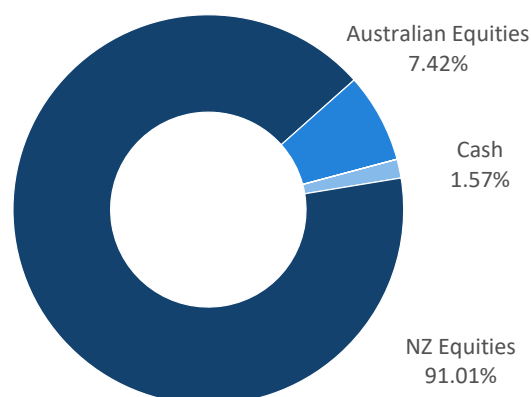
Overview

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	18.2%	Investore Property	9.6%	
Investore Property	OW	Vital Healthcare	UW	Argosy Property	14.8%	Property for Industry	6.6%	
Precinct Properties	UW	Stride Property	OW	Precinct Properties	13.0%	Vital Healthcare	3.8%	
Argosy Property	OW	Property for Industry	UW	Kiwi Property Group	12.1%	Summerset Group	1.9%	
OW: overweight; UW: underweight; NH: no holding. Month-end position				Stride Property	10.5%	Ingenia Communities	1.6%	
							Number of holdings	16

Market Commentary

Supported by low interest rates, equity markets globally had a strong performance during the month and somewhat ignored the health and economic impacts from COVID-19. A number of companies reported their earnings results for the period ended June during the month. As expected, results were heavily impacted by the lockdown earlier in the year while outlook statements were very uncertain, more so as the country went back into lockdown during the month. As a result of the new lockdown the New Zealand election has been postponed from September to October.

Fund Commentary

The fund ended the month up 3.3% and 0.2% ahead of the index which rose 3.1%. The largest positive contributors to relative return were overweight positions in **Investore Property** (IPL) and **Argosy** (ARG) and an underweight in **Precinct Properties** (PCT). IPL continues to benefit from its defensive property portfolio which is occupied by essential businesses such as Countdown, Foodstuffs, Mitre 10 and Bunnings. IPL ended the month up 10.6%. ARG, up 7.9%, announced the sale of two non-core properties which strengthens its balance sheet and continues to be supported by its attractive dividend yield. PCT posted an earnings result as expected but saw its NTA fall on the back of the devaluation of development assets. PCT fell 2.9% over the month.

The largest detractors from relative performance were underweight positions in **Vital Healthcare** (VHP) and **Property for Industry** (PFI) and an overweight position in **Stride Property** (SPG). VHP reported a good result and the stock also benefited from its defensive tenant mix and long weighted average lease term ending the month up 10.3%. PFI rose 5.7% on no specific news while SPG fell 1.0% as investors assessed the latest lockdown on SPG's retail properties.

Key portfolio changes during the month included adding to **Waypoint REIT** (WPR) and **Centuria Industrial REIT** (CIP) through a sell down of an existing investor and a capital raising respectively. The fund also received stock in **Centuria Capital** (CNI) as part of accepting the takeover offer for **Augusta Capital** (AUG). Small reductions were made in VHP, IPL and **Goodman Property** (GMT) while Metlifecare (MET) was divested.

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

Key Fund Facts

Distributions	Estimated annual fund charges		
Calendar quarter	Wholesale: negotiated outside of fund		
Hedging	Buy / Sell spread:	Strategy Launch	Strategy size
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 91.5% hedged.	0.20% / 0.20%	February 2010	\$56.1m

Compliance

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

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