

Factsheet 30 September 2020

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Supported by low interest rates, most equity markets globally performed well during the quarter and somewhat ignored the health and economic impacts from COVID-19.
- Over the quarter, the United States S&P 500 index rose 8.5%, the Japanese Nikkei 225 index was up 4.0% while the UK FTSE 100 index and the Australian ASX 200 index fell 4.9% and 0.4% respectively. The MSCI World index ended up 6.5%.
- The S&P/NZX Real Estate index had a strong quarter, up 13.4% and outperformed the broader market with the S&P/NZX 50 index up 2.9%. The Australian property index ended the quarter up 7.4%

Fund Highlights

- The fund rose 14.1%, 0.7% ahead of the index return.
- News flow was high during the quarter with a number of the fund's holdings reporting earnings for the period ended June while Augusta was taken over and delisted. The fund also participated in the capital raising by Asset Plus.
- Overweight positions in Summerset and Stride Property and an underweight in Kiwi Property added value. Underweight positions Vital Healthcare and Goodman Property and an overweight position in Ingenia Communities detracted from value.

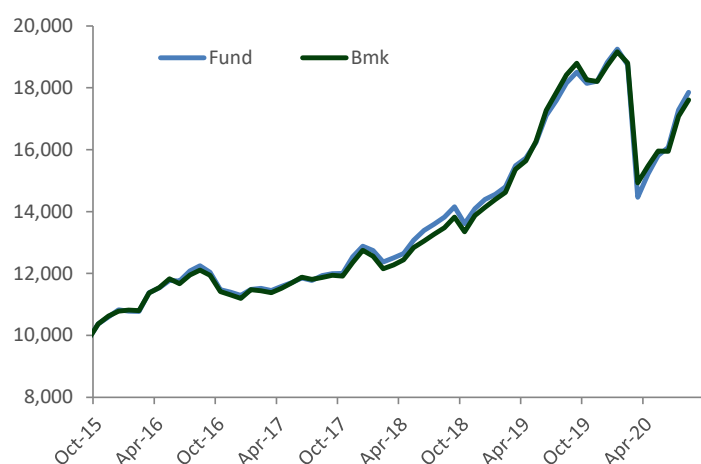
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.72%	14.11%	-0.91%	15.22%	13.21%	-
Benchmark ²	2.70%	13.42%	-3.75%	14.83%	12.92%	-

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.

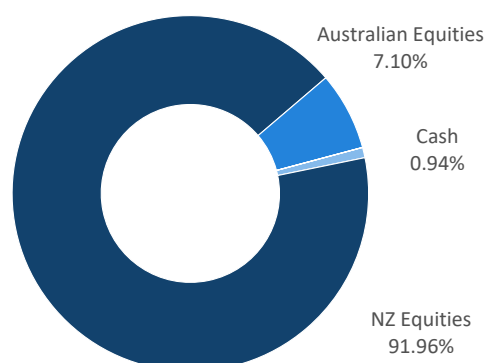
Overview

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 (quarter)				Top 10 holdings				
What Helped		What Hurt		Goodman Property	17.8%	Investore Property	9.40%	
Kiwi Property	UW	Vital Healthcare	UW	Argosy Property	14.5%	Property for Industry	6.8%	
Summerset	OW	Goodman Property	UW	Precinct Properties	12.8%	Vital Healthcare	3.8%	
Stride Property	OW	Ingenia Communities	OW	Kiwi Property Group	12.1%	Summerset Group	2.0%	
OW: overweight; UW: underweight; NH: no holding.				Stride Property	11.0%	Ingenia Communities	1.7%	
							Number of holdings	15

Market Commentary

Supported by low interest rates, most equity markets globally performed well during the quarter 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 quarter. 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 quarter.

Fund Commentary

The fund ended the quarter up 14.1% and 0.7% ahead of the index which rose 13.4%. The largest positive contributors to relative return were overweight positions in **Summerset (SUM)** and **Stride Property (SPG)** and an underweight in **Kiwi Property (KPG)**. SUM rose 40.1% over the quarter after announcing a good sales number for the June quarter and investors became more optimistic around the outlook for house prices. SPG announced the commencement of its Industrie Property joint venture along with several small acquisitions for the joint venture. SPG rose 21.1% over the quarter. While KPG reported good sales results for June at its key retail properties, the new lockdown created more uncertainty around retail sales and ended the quarter up 1.0%.

The largest detractors from relative performance were underweight positions in **Vital Healthcare (VHP)** and **Goodman Property (GMT)** and an overweight position in **Ingenia Communities (INA)**. VHP reported a good result and the stock also benefited from its defensive tenant mix and long weighted average lease term with VHP ending the quarter up 19.9%. GMT, up 16.5% over the quarter, acquired a development property adjacent to an existing GMT property for \$70m and continues to benefit from investor demand for relatively defensive industrial property exposure. While INA reported a good earnings result for the period ending June, its 2.5% return over the quarter was behind the index return and therefore our overweight position detracted from relative return.

(**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 104.1% hedged.

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread:	Strategy Launch	Strategy size
0.20% / 0.20%	February 2010	\$50.4m

Compliance

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

Contact Us

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