

Factsheet 31 October 2020

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Globally, most equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States.
- The United States S&P 500 index fell 2.8%, the Japanese Nikkei 225 index lost 0.9%, the UK FTSE 100 index declined 4.9% while the Australian ASX 200 index rose 1.9%. The MSCI World index ended the month down 2.5%.
- The S&P/NZX Real Estate index had a strong month, up 5.9% and outperformed the broader market with the S&P/NZX 50 index up 2.9%. The Australian property index ended the month down 0.3%.
- News flow was relatively light over the month although Vital Healthcare did raise \$150m to fund developments and a potential acquisition. Summerset also announced strong sales numbers for the September quarter.

Fund Highlights

- The fund rose 5.3%, 0.6% behind the index return.
- Underweight positions in Vital Healthcare and Precinct Properties and an overweight position in Summerset added value. Overweight positions Waypoint REIT and Investore Property and an underweight position in Kiwi Property detracted from value.

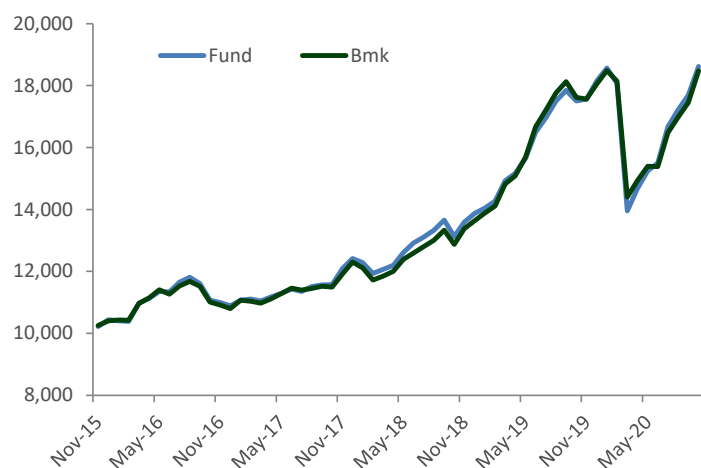
Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.28%	11.71%	6.39%	17.18%	13.24%	-
Benchmark ²	5.89%	12.14%	4.87%	17.13%	13.06%	-

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.



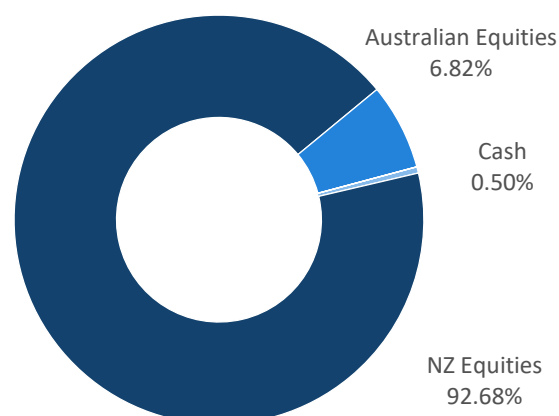
Overview

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	17.9%	Investore Property	9.0%	
Vital Healthcare	UW	Waypoint REIT	OW	Argosy Property	14.1%	Property for Industry	7.0%	
Summerset	OW	Investore Property	OW	Kiwi Property Group	13.3%	Vital Healthcare	4.0%	
Precinct Properties	UW	Kiwi Property	UW	Precinct Properties	12.7%	Waypoint REIT	2.0%	
OW: overweight; UW: underweight; NH: no holding.				Stride Property	11.0%	Summerset Group	2.0%	
							Number of holdings	16

Market Commentary

Globally, most equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States. Markets were also impacted by the United States failing to agree on a fiscal stimulus plan. Closer to home the New Zealand election result saw the Labour party win, which was in line with expectations and therefore there was no market impact. Looking forward to November, the United States election will be the focus of markets. November will also see earnings results announced for the period ending 30 September.

Fund Commentary

The fund ended the month up 5.3% and 0.6% behind the index which rose 5.9%. The largest positive contributors to relative return were underweight positions in **Vital Healthcare** (VHP) and **Precinct Properties** (PCT) and an overweight position in **Summerset** (SUM). VHP fell 2% following its \$150m capital raise to fund developments and a potential acquisition. While PCT rose 4.7%, it underperformed the index return, which benefited the fund’s relative return due to its underweight position. SUM rose 15.7% on the back of announcing strong sales numbers for the September quarter.

The largest detractors from relative performance were overweight positions in **Waypoint REIT** (WPR) and **Investore Property** (IPL) and an underweight position in **Kiwi Property** (KPG). Following a couple of good months, WPR gave up 1.1% in October. IPL posted a positive return for its seventh month in a row but the 0.9% return was behind the index return and detracted from relative return. KPG announced a portfolio revaluation as at 30 September which showed capitalisation rates firming across its mixed-use, office and retail portfolios which provided relief to the market that valuations weren’t declining any further, at least at the portfolio level. KPG rose 16% over the month.

Key portfolio changes during the month included adding to VHP through its capital raising and small reductions in SUM and **Argosy Property** (ARG).

(**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 101.9% hedged.	0.20% / 0.20%	February 2010	\$53.1m

Compliance

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

Contact Us

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