

Factsheet 31 December 2020

NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

Market Overview

- Equity markets globally were strong on news that COVID-19 vaccines trials were showing high success rates and were starting to be administered.
- The United States S&P 500 index rose 11.7%, the Japanese Nikkei 225 index gained 18.4%, the UK FTSE 100 index increased 10.1%, the Australian ASX 200 index added 13.7% and the MSCI World index ended the quarter up 12.8%.
- The S&P/NZX Real Estate index rose 8.7% but underperformed the broader market with the S&P/NZX 50 index up 11.5%. The Australian property index ended the quarter up 13.2%.

Fund Highlights

- The fund rose 9.9% 1.2% 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 September.
- Vital Healthcare, Stride Property, Centuria Industrial REIT and APN Industria REIT all raised equity to fund acquisitions and developments.
- Overweight positions in Summerset and Stride Property and an underweight position in Goodman Property added value. Overweight positions in Investore Property and Waypoint REIT and an underweight position in Kiwi Property detracted from value.

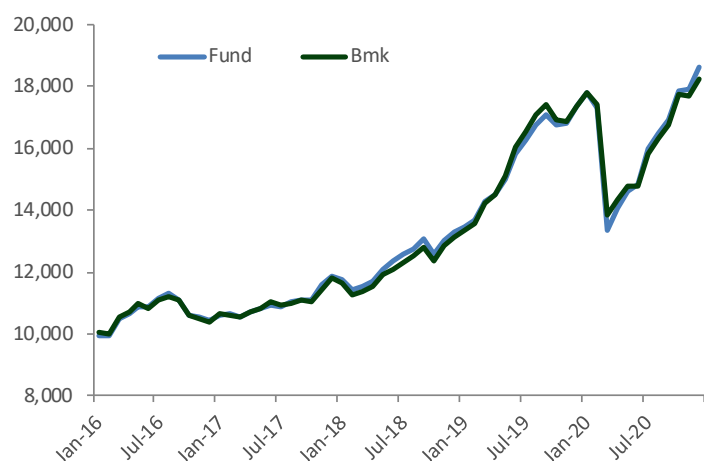
Performance

| | One month | Three months | One Year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | 3.84% | 9.88% | 7.07% | 16.09% | 13.22% | 14.50% |
| Benchmark ² | 3.19% | 8.69% | 5.02% | 15.51% | 12.76% | 14.12% |

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



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.

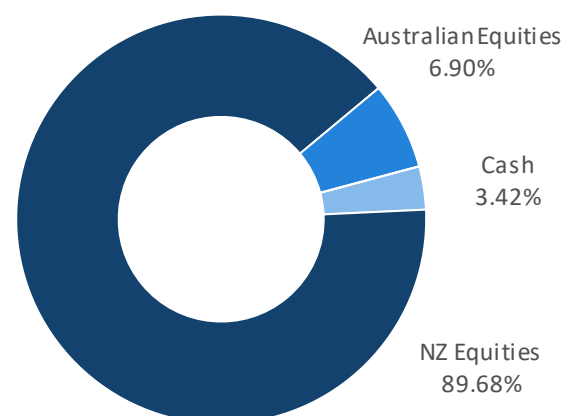
Overview

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 | 17.09% | Investore Property | 7.87% | |
| Summerset Group | OW | Kiwi Property | UW | Argosy Property Limited | 13.95% | Property for Industry | 6.23% | |
| Goodman Property Trust | UW | Investore Property | OW | Stride Stapled Units | 13.35% | Vital Healthcare | 4.24% | |
| Stride Property Group | OW | Waypoint REIT | OW | Kiwi Property Group | 12.24% | Summerset Group | 2.10% | |
| OW: overweight; UW: underweight; NH: no holding. | | | | Precinct Properties | 10.91% | Waypoint REIT | 1.98% | |
| | | | | | | | Number of holdings | 15 |

Market Commentary

What a year 2020 was! As COVID-19 spread across the world early in the year it had a widespread impact: peoples' health, large reductions in GDP as borders were closed and lockdowns put in place along with large losses in equity markets. As central banks and governments responded with monetary and fiscal stimulus bond rates plummeted and resulted in investors seeking higher returns and putting money to work in equity markets. Despite equity markets - as measured by the MSCI World index, falling 20% in the first quarter of the year, by the end of the year the MSCI World index was up 14.2%. The final quarter of the year was particularly strong for equity markets as positive economic news, earnings results and vaccine approvals all provided confidence to investors. The year also saw the United States election where President Trump lost to President Elect Joe Biden and closer to home the Labour Party won the New Zealand election with enough votes to govern alone. So, while we say goodbye or good riddance to 2020, 2021 offers some hope of getting on top of COVID-19 as vaccines are rolled out.

Fund Commentary

The fund ended the quarter up 9.9% and 1.2% ahead of the index which rose 8.7%. The largest positive contributors to relative return were overweight positions in **Summerset (SUM)** and **Stride Property (SPG)** and an underweight position in **Goodman Property (GMT)**. SUM rose 39.6% on the back of a strong residential property market along with announcing strong sales numbers for the September quarter. The fund's holding in SPG rose 15.4% after delivering a good result along with a capital raising to fund an office acquisition. GMT fell 0.2% during the quarter after a strong run in the previous quarter.

The largest detractors from relative performance were an underweight position in **Kiwi Property (KPG)** and overweight positions in **Investore Property (IPL)** and **Waypoint REIT (WPR)**. Both IPL and WPR delivered positive returns of 1.0% and 3.5% (in AUD) over the quarter but were behind the index return and as a result our overweight positions detracted from relative value. KPG continues to recover from its large sell off in the first quarter of the year and rose 18.0% over the quarter.

Key portfolio changes during the quarter included adding to SPG, **Vital Healthcare (VHP)**, **APN Industria REIT (ADI)** and **Centuria Industrial REIT (CIP)** through their respective capital raising. KPG and GMT were also added to while a range of small divestments were made to fund the participation in the above-mentioned capital raisings.

(**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 96.4% hedged.

Estimated annual fund charges

Wholesale: negotiated outside of fund

| | | |
|---------------------------|------------------------|----------------------|
| Buy / Sell spread: | Strategy Launch | Strategy size |
| 0.20% / 0.20% | February 2010 | \$55.9m |

Compliance

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

Contact Us

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