

Factsheet 31 October 2021

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Global equity markets were mostly positive over the month. Inflation has become front of mind with central banks signalling the prospect of earlier than previously expected increases in official cash rates. The Reserve Bank of New Zealand has become one of the first to increase rates with the official cash rate doubled during the month to 50bps. Bonds yields also increased significantly over the month.
- The United States S&P 500 index rose 6.9%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index increased 2.1%, the Australian ASX 200 index declined 0.1% and the MSCI World index ended the month up 5.0%.
- The S&P/NZX Real Estate index ended the month down 0.6% but outperformed the broader market with the S&P/NZX 50 index falling 1.3%. The Australian property index rose 0.6%.

## Fund Highlights

- The fund fell 0.9%, 0.3% behind the index return.
- Vital Healthcare raised \$140m while Arvida raised \$330m to fund property acquisitions.
- Overweight positions in Arvida and Garda Property and an underweight position in Vital Healthcare added value. Overweight positions in Investore Property and Summerset and an underweight position in Goodman Property detracted from value.

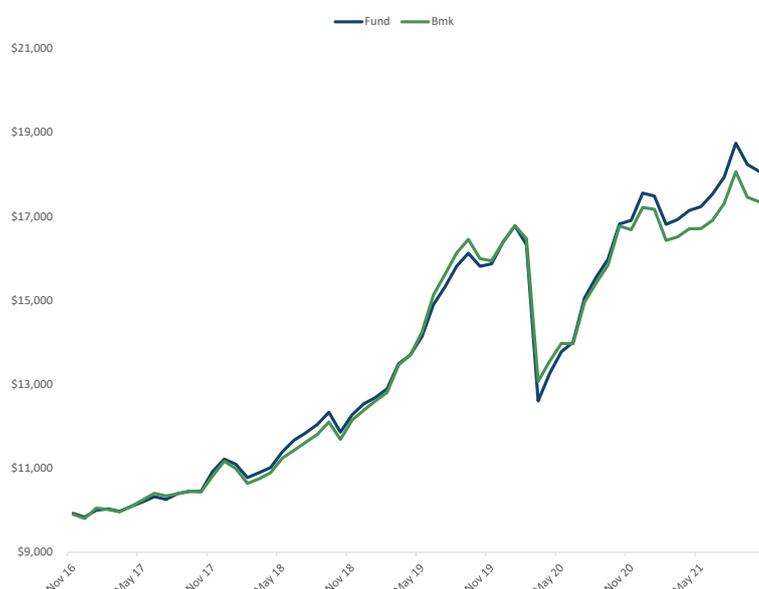
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-0.89%	0.80%	7.47%	15.08%	12.57%	13.67%
Benchmark <sup>2</sup>	-0.61%	0.24%	3.47%	14.08%	11.66%	13.00%

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<sup>1, 2</sup>



## 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 Schrodgers 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.

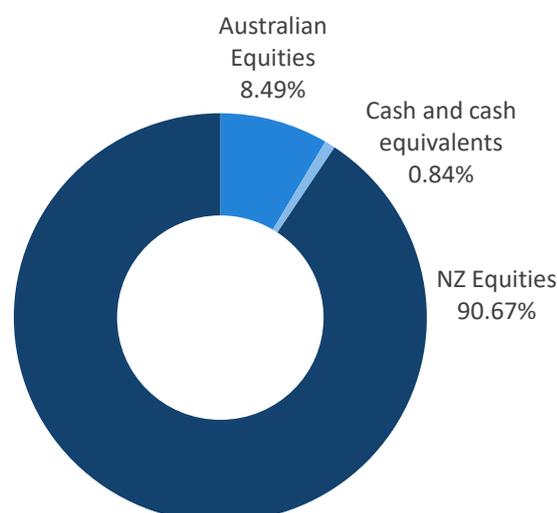
## Overview

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 (as at month end)			
What Helped		What Hurt					
Arvida	OW	Investor Property Ltd	OW	Goodman Property Ltd	17.25%	Property For Industry Ltd	6.94%
Garda Property	OW	Summerset	OW	Precinct Properties Ltd	14.97%	Investore Property Ltd	6.25%
Vital Healthcare Group	UW	Goodman Property	UW	Argosy Property Ltd	12.97%	Vital Healthcare Property	4.81%
OW: overweight; UW: underweight; NH: no holding.				Kiwi Property Ltd	12.16%	Summerset Group Ltd	2.53%
				Stride Stapled	11.24%	Centuria Industrial	2.22%
				<b>Number of holdings</b>			<b>19</b>

## Market Commentary

Global equity markets were mostly positive over the month. Inflation has become front of mind with central banks signalling the prospect of earlier than previously expected increases in official cash rates. The Reserve Bank of New Zealand has become one of the first to increase rates with the official cash rate doubled during the month to 50bps. Bond yields also increased significantly over the month with the New Zealand 10-year rising from 2.09% to end the month at 2.64% and the Australian 10-year ending October at 2.09% from 1.49% at the end of September. With the move up in bond yields it will be interesting to see what that means for property capitalisation rates. Fortunately, the listed property vehicles are in good shape with very little vacancy, quality assets and good weighted average lease terms.

## Fund Commentary

The fund ended the month down 0.9% and 0.3% behind the index which was down 0.6%. The largest positive contributors to relative return were overweight positions in **Arvida** (ARV) and **Garda Property** (GDF) and an underweight position in **Vital Healthcare** (VHP). The fund participated in ARV’s capital raising where it was able to add the stock to the portfolio below the recent trading price. ARV provided a 3.6% during its holding period. GDF continued its recent strong run, rising another 7.6% (in AUD) as it benefits from strong portfolio revaluations. VHP fell 4.3% as the market digests its capital raising.

The largest detractors from relative performance were overweight positions in **Investore Property** (IPL) and **Summerset** (SUM) and an underweight position in **Goodman Property** (GMT). IPL fell 5.1% on no specific news while SUM fell 4.5%. SUM partly suffered as a funding stock for the ARV capital raising while investors also weighed up the impact from increasing mortgage rates and the introduction of loan to income limits by some banks on residential property prices. GMT rose 2.7% as it continues to benefit from its recently announced portfolio revaluation.

Key portfolio changes during the quarter included adding ARV to the portfolio through its capital raising along with adding to its position in VHP through its raising. Small reductions were made to positions in **Stride Property** (SPG) and GMT.

(**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 97.0% hedged.

### Estimated annual fund charges

Wholesale: negotiated outside of fund

### Buy / Sell spread:

0.20% / 0.20%

### Strategy Launch

February 2010

### Strategy size

\$44m

## Compliance

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

## Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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