

Factsheet 31 May 2022

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- Global equity markets were mixed in May with inflation, increasing interest rates, earnings results and the war in Ukraine having an impact.
- The United States S&P 500 index was flat, the Japanese Nikkei 225 index rose 1.6%, the UK FTSE 100 index gained 0.8%, the Australian ASX 200 index declined 2.6% and the MSCI World index ended the month up 0.3%.
- The S&P/NZX Real Estate index ended the month down 6.5% and underperformed the broader market with the S&P/NZX 50 index falling 4.8%. The Australian property index dropped 8.6%.

## Fund Highlights

- The fund fell 6.9%, 0.3% behind the index return.
- A number of the New Zealand property securities reported results for the period ending March.
- Underweight positions in Winton Land and Property for Industry and an overweight position in Argosy added value.
- Overweight positions in Centuria Industrial REIT, Stride Property and Ingenia Communities detracted from value.

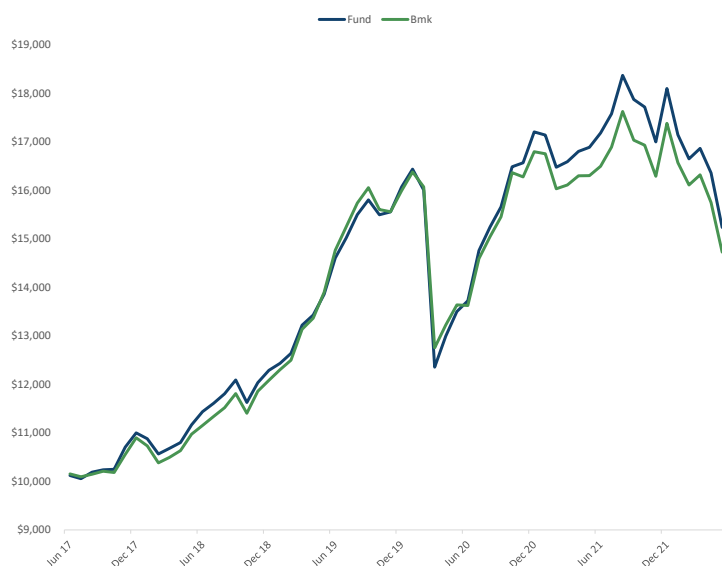
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-6.86%	-8.49%	-9.78%	3.21%	8.79%	10.88%
Benchmark <sup>2</sup>	-6.50%	-8.60%	-9.69%	1.94%	8.05%	10.39%

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 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.

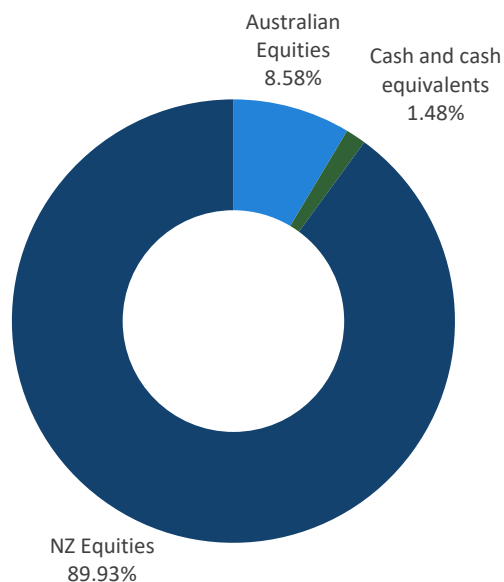
## Overview

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			
What Helped		What Hurt					
Winton Land Ltd	UW	Centuria Industrial	OW	Goodman Property Trust	17.03%	Vital Healthcare Property	8.91%
Argosy Property Ltd	OW	Stride Property	OW	Precinct Properties	14.13%	Property For Industry Ltd	6.96%
Property for Industry	UW	Ingenia Communities	OW	Kiwi Property Group	12.82%	Investore Property Ltd	6.09%
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Limited	11.70%	Waypoint REIT	1.94%
				Stride Stapled Grp	10.07%	Dexus Industria REIT	1.79%
				<b>Number of holdings</b>			<b>18</b>

## Market Commentary

Inflation continues to be front of mind with a number of Central Banks including the Reserve Banks of New Zealand and Australia, the Bank of England and the US Federal Reserve all increasing cash rates over the month. New Zealand property securities that reported earnings during the month were generally in line with expectations. Property valuations reported as part of earnings announcements are as at 31 March and are somewhat outdated when considering the rising interest rate environment. The listed property securities are factoring in valuation declines and that is reflected in the average 20% discount that they are trading at compared to their reported asset backing.

## Fund Commentary

The fund ended the month down 6.9% and 0.3% behind the index which was down 6.6%. The largest positive contributors to relative return were underweight positions in Winton Land (WIN) and **Property for Industry** (PFI) and an overweight position in **Argosy** (ARG). WIN, a land developer suffered from negative sentiment towards the housing market and ended the month down 14.1%. PFI fell 10.3% on no specific news. PFI announced a share buyback as it considers its share price to be undervalued. ARG announced a solid result and a distribution increase for the year ahead. ARG fell 4.2%, less than the index return hence the fund's overweight position added relative value.

The largest detractors from relative performance were overweight positions in **Centuria Industrial REIT** (CIP), **Stride Property** (SPG) and **Ingenia Communities** (INA). Australian property securities were underperformers relative to the New Zealand property index with CIP and INA down 14.0% and 12.4% (in AUD) respectively. Neither had any specific news driving their prices. Despite reporting a result in line with expectations, SPG fell 12.6%

Key portfolio changes during the month included adding to **Vital Healthcare** (VHP) while small reductions were made in ARG, CIP, **Summerset** (SUM), **Dexus Industria REIT** (DXI), **Garda Property** (GDF), **Goodman Property** (GMT) and **Precinct** (PCT). (**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 97.2% hedged.

**Exclusions** Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009.

**Restrictions** Tobacco stocks, 'controversial weapons', fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

**Estimated annual fund charges**  
Wholesale: negotiated outside of fund

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.20% / 0.20%	February 2010	\$36.7m

## Compliance

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

## Contact Us

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