

Factsheet 31 July 2022

# NIKKO AM PROPERTY STRATEGY

Applies to: Nikko AM Wholesale Property Fund

## Market Overview

- With the exception of China, global equity markets performed strongly on the back of falling bond yields.
- Over the month the US 10-year bond yield fell 35bps, the New Zealand 10-year yield fell 45bps while the Australian 10-year fell 60bps.
- The United States S&P 500 index rose 9.1%, the Japanese Nikkei 225 index rose 5.4%, the UK FTSE 100 index increased 3.5%, the Australian ASX 200 index gained 5.8% and the MSCI World index ended the month 7.1%.
- The S&P/NZX Real Estate index ended the month up 5.5%, slightly behind the broader market with the S&P/NZX 50 index gaining 5.8%. The Australian property index had a strong month, up 11.8%.

## Fund Highlights

- The fund rose 6.1%, 0.6% ahead of the index return.
- It was a relatively quiet month in terms of news flow with a number of property securities due to announce results for the period ending June next month.
- Overweight positions in Ingenia Communities and Waypoint REIT and an underweight in Winton Land added value. Overweight positions in Garda Property and Investore Property and an underweight in Goodman Property detracted from value.

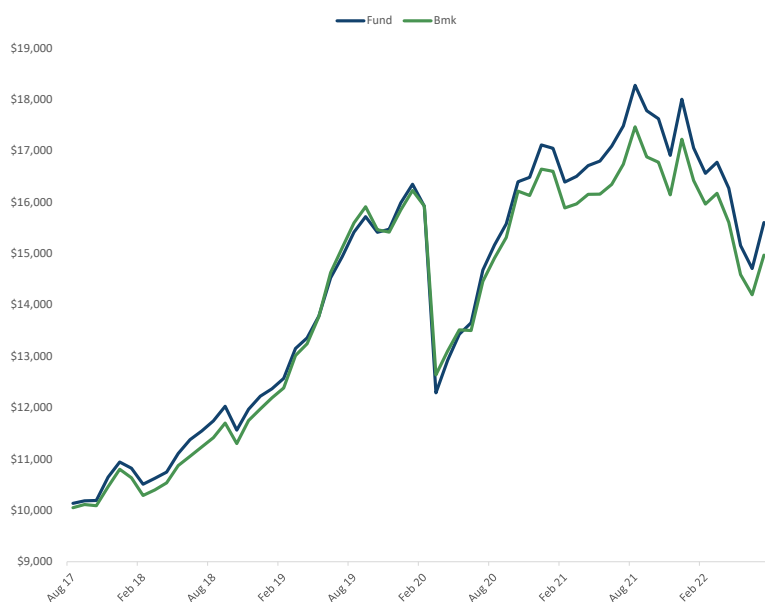
## Performance

	One month	Three months	One Year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	6.09%	-4.11%	-10.76%	1.46%	9.30%	10.72%
Benchmark <sup>2</sup>	5.45%	-4.07%	-10.56%	-0.31%	8.40%	10.25%

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. Experienced 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.

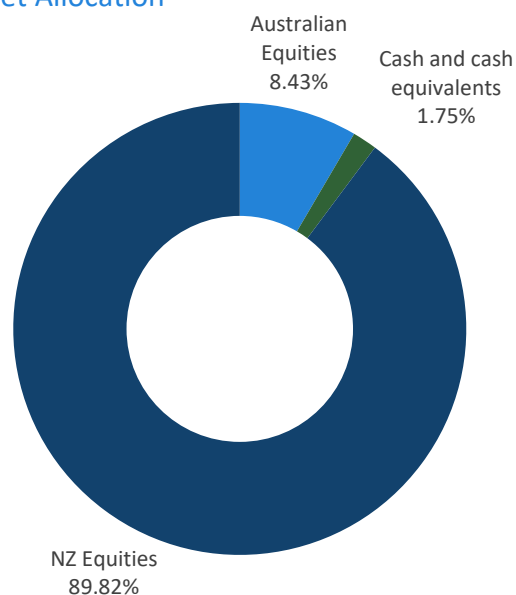
## Overview

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					
Winton REIT	NH	Goodman Property	UW	Goodman Property Trust	16.58%	Vital Healthcare Property	8.75%
Ingenia Communities	OW	Garda Property	OW	Precinct Properties	14.00%	Property For Industry Ltd	7.42%
Waypoint REIT	OW	Investore Property Ltd	OW	Kiwi Property Group	12.32%	Investore Property Ltd	6.61%
OW: overweight; UW: underweight; NH: no holding.				Argosy Property Limited	11.85%	Waypoint REIT	1.99%
				Stride Stapled Grp	10.64%	Ingenia Communities	1.67%
				<b>Number of holdings</b>			<b>17</b>

## Market Commentary

With the exception of China, global equity markets performed strongly on the back of falling bond yields. Central banks around the world continue to raise cash rates as they battle the highest inflation rates in decades. These rate increases and outlook for more is flowing through to concerns around economic growth with the United States now in a technical recession after reporting its second quarter of negative growth. These growth concerns have resulted in bond yields falling with the likes of the United States, New Zealand and Australia seeing their 10-year bond yields fall between 35 and 60 basis points over the month. Lower bond yields have been supportive of equity markets, in particular listed property securities.

## Fund Commentary

The fund ended the month up 6.1% and 0.6% ahead of the index. The largest positive contributors to relative return were overweight positions in **Ingenia Communities (INA)** and **Waypoint REIT (WPR)** and an underweight in Winton Land (WIN). Following a number of negative months, INA rose 16.6% (in AUD) as they confirmed they would meet earnings guidance and announced a strong sales pipeline. WPR rose 12.9% (in AUD) after announcing a valuation uplift along with confirming its intention to undertake \$100 million of capital management. WIN continues to struggle in the face of a residential property slow down and fell 6.9%. The largest detractors from relative performance were overweight positions in **Garda Property (GDF)** and **Investore Property (IPL)** and an underweight in **Goodman Property (GMT)**. Despite providing a positive portfolio valuation update, GDF was a relative underperformer with a 1.3% (in AUD) return for the month. IPL rose 4.4% over the month but below the index return hence our overweight position detracted from relative value. GMT continues to benefit from its industrial property exposure and rose 9.0% over the month.

Key portfolio changes during the month included exiting Summerset (SUM) and reducing 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 94.2% 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	\$37.8m

## Compliance

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

## Contact Us

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