

# NIKKO AM PROPERTY STRATEGY

Applies to the Nikko AM Wholesale Property Fund

## Market Overview

- Global equity markets' performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market.
- The United States S&P 500 index rose 0.3%, the Japanese Nikkei 225 index jumped 7.0%, the UK FTSE 100 index fell 5.4% the Australian ASX 200 index lost 2.5% and the MSCI World index ended the month down 0.3%.
- The S&P/NZX Real Estate index ended the month down 0.6% and ahead of the broader market with the S&P/NZX 50 index down 1.7%. The Australian property index fell 1.8%.

## Fund Highlights

- The fund fell 0.1%, 0.5% ahead of the index return.
- A number of the fund's holdings reported results for the period ended 31 March.
- Overweight positions in Ryman Healthcare, Stride Property and Garda Property added value.
- Overweight positions in Argosy Property, Investore Property and underweight position in Property for Industry detracted from value.

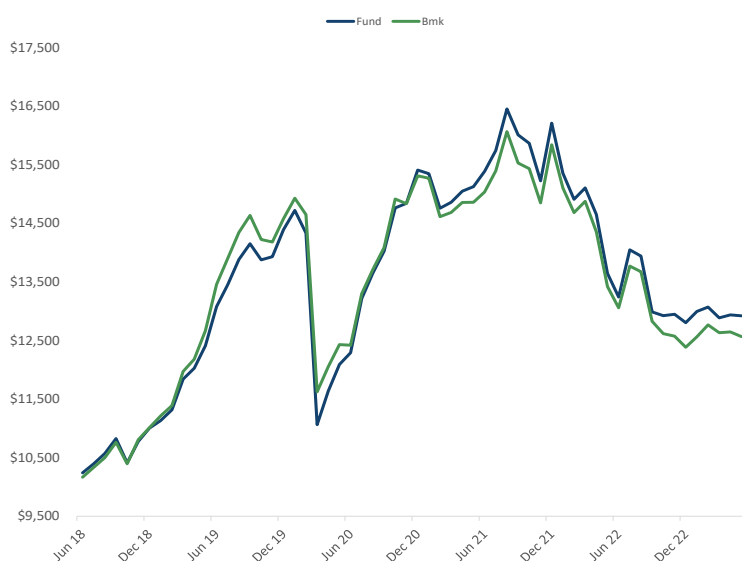
## Performance

|                        | One month | Three months | One Year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale <sup>1</sup> | -0.14%    | -1.15%       | -5.32%   | 2.23%             | 5.26%            | 7.98%           |
| Benchmark <sup>2</sup> | -0.62%    | -1.57%       | -6.36%   | 0.37%             | 4.68%            | 7.37%           |

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, \$1,000 invested<sup>1,2</sup>



## Portfolio Manager

**Michael Sherrock,**

**Co-Head of Equities**

Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals & Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charter-holder and holds a Bachelor of Commerce degree from the University of Auckland.



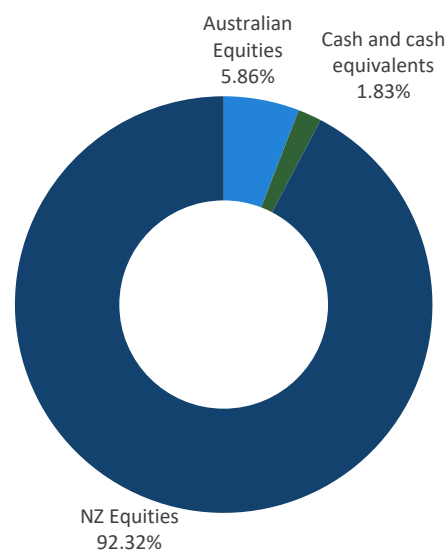
## Overview

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 (% of fund) |       |                           |           |
|--|----|-----------------------|----|-----------------------------|-------|---------------------------|-----------|
| What Helped                                      |    | What Hurt             |    |                             |       |                           |           |
| Ryman Healthcare                                 | OW | Property for Industry | UW | Goodman Property Trust      | 18.63 | Vital Healthcare Property | 8.33      |
| Stride Property                                  | OW | Argosy Property       | OW | Precinct Properties         | 13.78 | Property for Industry     | 7.64      |
| Garda Property                                   | OW | Investore Property    | OW | Kiwi Property Group         | 12.61 | Investore Property        | 6.29      |
| OW: overweight; UW: underweight; NH: no holding. |    |                       |    | Argosy Property             | 12.20 | Waypoint REIT             | 1.95      |
|  |    |                       |    | Stride Property             | 9.43  | Dexus Industria REIT      | 1.51      |
|  |    |                       |    | <b>Number of holdings</b>   |       |                           | <b>17</b> |

## Market Commentary

Global equity markets had a mixed performance over the month with earnings results affecting specific stocks while interest rate moves drove the broader market. On monetary policy, most key central banks raised rates over the month with the US Federal Reserve, the European Central bank, the Bank of England, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates by 0.25%. Both the RBA and the RBNZ surprised the market with their moves with the RBA not expected to raise their rate while the RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate. The property results released during the month showed valuations declining on higher capitalisation rates. Portfolio metrics remain solid with low vacancy and good rental growth which goes some way to offsetting higher interest costs.

## Fund Commentary

The fund ended the month down 0.1% and 0.5% ahead of the index which was down 0.6%. The largest positive contributors to relative return were overweight positions in **Ryman Healthcare** (RYM), **Stride Property** (SPG) and **Garda Property** (GDF). RYM, rose 19.8% on the back of a better-than-expected result along with improving housing market sentiment. SPG's result showed a good track to reducing gearing, an area that the market was somewhat concerned about and as a result SPG ended the month up 5.4%. GDF announced its portfolio revaluation which highlighted the deep discount the stock is trading at compared to its asset backing and the distribution it offers. GDF rose 7.5% (in AUD) over the month.

The largest detractors from relative performance were overweight positions in **Argosy Property** (ARG), **Investore Property** (IPL) and underweight position in **Property for Industry** (PFI). Despite results in line with expectations, both ARG & IPL posted returns of -2.7% and -1.3% respectively and below the index return which led to their detraction from relative performance. As expected, PFI did not report a result during the period and rose 1.5% on no specific news.

Portfolio changes over the month included the fund adding to its positions in **Precinct Properties** (PCT) and **Kiwi Property** (KPG) while small reductions were made to its position in **Ingenia Communities** (INA).

(**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 97.7% hedged.

**Exclusions** Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).

**Restrictions** Tobacco stocks, 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

**Buy / Sell spread:** 0.20% / 0.20%      **Strategy Launch** February 2010      **Strategy size** \$33.1m

## Compliance

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

## Contact Us

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