

Nikko AM Property Strategy

Monthly Update 30 November 2023

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets had a very strong month, recovering October's losses as bond yields fell sharply.
- The United States S&P 500 index rose 8.9%, the Japanese Nikkei 225 added 8.5%, the UK FTSE 100 index gained 1.8%, the Australian ASX 200 index increased 5.0% and the MSCI World index ended the month up 7.6% (in local terms).
- The S&P/NZX Real Estate index rose 4.3% and behind the broader market with the S&P/NZX 50 up 5.4%. The Australian property index had a very strong month, up 10.9%.

Fund Highlights

- The fund rose 3.9%, 0.4% behind the index return
- A number of the fund's holdings reported results for the period ending September during the month. Results were generally in line with expectations.
- Overweight positions in Charter Hall Group, Garda Property and Waypoint REIT added value. Overweight positions in Investore Property and Stride Property 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.)
Wholesale¹	3.87%	-4.20%	-3.03%	-5.42%	3.10%	8.03%
Benchmark²	4.29%	-3.60%	-2.29%	-6.10%	2.60%	7.72%

1. Returns are before tax and before the deduction of fees.

2. Benchmark: Benchmark: from 1/6/2023 S&P/NZX All Real Estate Sector Group Gross with Imputation Credits Index. No tax or fees.

Portfolio Manager

**Michael Sherrock,
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals and 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 charterholder 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.

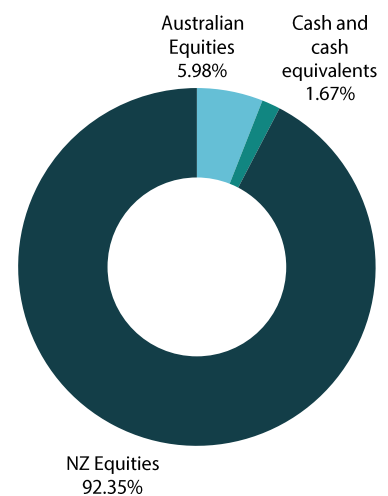
Objective

The fund aims to outperform the benchmark return by 1.5% per annum before fees, expenses and taxes over a rolling three-year period.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Asset Allocation



Attribution To Performance			
What Helped:		What Hurt:	
Charter Hall	NH	Investore Property	OW
Waypoint REIT	OW	Stride Property	OW
Garda Property	OW	Goodman Property	UW

OW: overweight; UW: underweight; NH: no holdings

Top 10 Holdings (% of fund)			
Goodman Property	19.55	Vital Healthcare Property	9.02
Kiwi Property	13.09	Property for Industry	7.37
Precinct Properties	12.69	Investore Property	4.74
Argosy Property	12.07	Waypoint REIT	1.74
Stride Property	9.60	Ingenia Communities	1.45
Number of holdings			19

Market Commentary

Global equity markets had a very strong month, recovering October's losses as bond yields fell sharply on signs that rate hikes might be over in the United States. In contrast the Reserve Bank of Australia hiked rates early in November and the Reserve Bank of New Zealand signalled that rate cuts are further out than they had previously signalled. Interest rate moves and expectations continue to dominate the equity market rather than earnings results and the outlook for earnings. The property sector continues to see portfolio devaluations due to the high interest rate environment albeit the stocks performed well, especially Australian property on the back of the large move down in bond yields.

Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in Charter Hall Group (CHC), **Garda Property** (GDF) and **Waypoint REIT** (WPR). CHC had a strong performance as bond yields fell and we took advantage of that to exit our position. Our exit during the month of CHC provided a 25.9% (in AUD) return vs the CHC return of 20.0% (in AUD) over the full month. Following a tough run over the last few months, GDF rose 19.8% (in AUD) as its benefits from office asset sales which moves the portfolio to be much more industrial property weighted. WPR benefited from the move lower in bond yields and rose 11.3% (in AUD) on no specific news.

The largest detractors from relative performance were overweight positions in **Investore Property** (IPL) and **Stride Property** (SPG) and an underweight position in Goodman Property (GMT). While IPL's result was in line with expectations, it cut its dividend guidance as it looks to conserve capital to protect its balance sheet and allow for likely tax changes that will see more tax payable in the year ahead. IPL fell 9.5% over the month. SPG had a very strong performance in October and gave up some of that in November, ending down 4.4% despite an earnings result in line with expectations. GMT benefited from a good performance on the last day of the month, likely due to index fund related buying. GMT rose 7.6% over the month.

Portfolio changes over the month included adding to our position in RYM and trading small amounts of **Precinct Properties** (PCT) and GMT. The fund's position in CHC was divested.

(**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Estimated annual fund charges (incl. GST)	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 101.2% hedged.	Strategy Launch:	February 2010
Wholesale: Negotiated outside of the unit price.	Exclusions: Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$32.6m
Distributions:	Restrictions: Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.20%/0.20%
Wholesale: Calendar quarter			

Compliance

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

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