

Nikko AM Property Strategy

Monthly Update 30 November 2024

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Most key international equity markets were positive over the month as earnings results, the US election result, and central banks cutting rates impacted on markets.
- The United States S&P 500 index rose 5.7%, the UK FTSE 100 index gained 2.2%, the Australian ASX 200 index added 3.8%, and the MSCI World index ended the month up 4.1% (in local terms). The Japanese Nikkei 225 fell 2.2%, while the EURO STOXX 50 fell 0.3%.
- The S&P/NZX 50 index was up 3.4%, while the S&P/NZX Real Estate Index fell 1.1%.

Fund Highlights

- The fund was down 0.9% over the month, slightly outperforming the REIT index which fell 1.1%.
- November was a busy month with six property companies reporting 1H25 results. Overall, results were in line with expectations and full year earnings guidance was reaffirmed. Vacancy is increasing in most portfolios, albeit mostly in the secondary office sector. Positively, property valuations appear to have stabilised, helping to underpin current net tangible asset values.
- The fund's overweight positions in Ingenia Communities and Waypoint REIT, as well as an underweight position in Precinct Properties added relative value over the month. Underweight positions in Property for Industry, along with overweight positions in Ryman Healthcare and Stride Property detracted from relative value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-0.92%	-3.15%	9.28%	-3.41%	-0.30%	7.11%
Benchmark²	-1.06%	-3.64%	7.17%	-3.93%	-1.47%	6.54%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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

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



Portfolio Manager

Owen Batchelor,
Portfolio Manager

Owen joined Nikko in 2020 and covers the Utilities, Healthcare, Infrastructure, and Property sectors.



Owen has over 10 years' experience in the finance industry, most recently covering listed property at Jarden in New Zealand. Owen holds a Bachelor of Commerce and a Bachelor of Science from Victoria University.

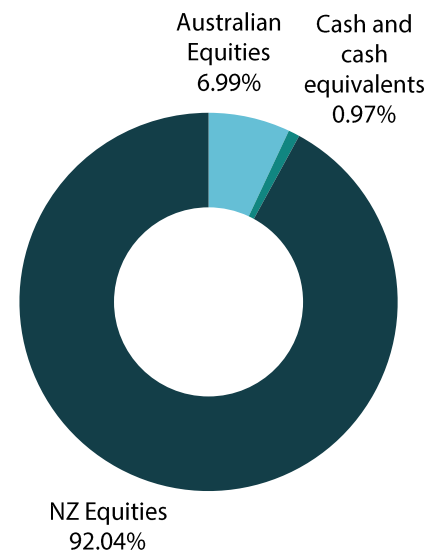
Overview

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			
What Helped:		What Hurt:	
Ingenia Communities	OW	Property For Industry	UW
Precinct Properties	UW	Ryman Healthcare	OW
Waypoint REIT	OW	Stride Property	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	18.51	Stride Stapled	8.79
Kiwi Property	16.47	Property For Industry	7.36
Precinct Properties	15.69	Investore Property	3.39
Argosy Property	10.04	Ingenia Communities	1.91
Vital Healthcare Property	8.82	Waypoint REIT	1.72
		Number of holdings	19

Market Commentary

Most key international equity markets were positive over the month as earnings results, the US election, and central banks cutting rates impacted on markets. After a long build up, Donald Trump was elected President and markets are starting to focus on potential policy changes that would impact immigration, healthcare, climate change, renewable energy, fossil fuels, and tariffs.

The local market was dominated by results from property securities along with other companies of particular interest such as Ryman Healthcare, Fisher & Paykel Healthcare, and Mainfreight. Central banks also continued cutting rates with the Reserve Bank of New Zealand delivering its third cut in as many meetings, dropping rates by another 50bps. The rate cuts have provided a boost to the S&P / NZX 50, up more than 12% since the start of July.

Fund Commentary

November saw some of our largest detractors last month provide the greatest positive attribution this month, including overweight positions in **Ingenia Communities** (INA) and **Waypoint REIT** (WPR). Additionally, our underweight position in **Precinct Properties** (PCT) contributed to the fund's outperformance. INA rose 4.8% over the month after a solid update at its Annual Shareholder Meeting, highlighting strong sales and settlement numbers, as well as reaffirming its full year earnings guidance. WPR rose almost 1.0%, outperforming the NZ REIT index, while PCT fell almost 3.0% over the month, underperforming the index.

The largest detractors from relative performance was our underweight position in **Property for Industry** (PFI), as well as overweight positions in **Ryman Healthcare** (RYM) and **Stride Property Group** (SPG). PFI rose 1.1% on no specific newsflow, outperforming the index. RYM fell 6.4% following its 1H25 result as it pushed out its target to deliver positive free cashflow in FY25 until FY26. SPG fell 3.6% early in the month ahead of a largely in-line result announced later in the month.

Portfolio changes over the month included adding to our positions in **Kiwi Property group (KPG)**.

(**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 98.0% 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: \$27.5m
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/institutional .	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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