

Nikko AM Property Strategy

Monthly Update 31 May 2025

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets delivered strong returns over the month as certain US tariffs were paused, countries and companies continued to assess the impacts of the tariffs along with earnings results announcements for the period ending March.
- The United States S&P 500 index rose 6.2%, the Japanese Nikkei 225 increased 5.3%, the UK FTSE 100 index added 3.3%, the Australian ASX 200 index gained 4.2% and the MSCI World index ended the month up 5.6% (in local terms).
- The S&P/NZX Real Estate Index jumped 6.8% over the month, while the S&P/ASX 300 A-REIT index ended the month up 4.9%.

Fund Highlights

- The fund was up 6.5% over the month, 0.3% behind the index return.
- May was a busy month for news flow with six of the property securities reporting result along with Ryman Healthcare.
- Underweight positions in Property for Industry, Goodman Property Trust, and New Zealand Rual Land Co added relative value over the month.
- Overweight positions in Ryman Healthcare and Waypoint REIT and an underweight position in Precinct Properties negatively impacted relative performance.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	6.55%	0.72%	4.67%	-0.56%	2.11%	6.03%
Benchmark²	6.80%	1.02%	3.27%	-1.44%	0.67%	5.40%

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.

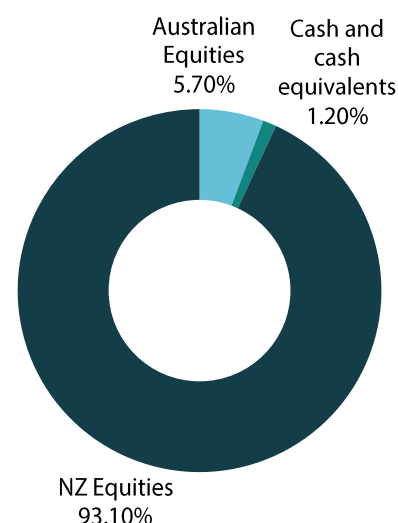
Overview

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:	
Property for Industry	UW	Ryman Healthcare	OW
Goodman Property Trust	UW	Waypoint REIT	OW
New Zealand Rural Land Co	UW	Precinct Properties	UW

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

Top 10 Holdings (% of fund)			
Goodman Property	18.40	Stride Stapled	8.04
Kiwi Property	17.57	Property For Industry	7.39
Precinct Properties	16.47	Investore Property	3.98
Argosy Property	10.32	Ingenia Communities	1.49
Vital Healthcare	8.51	Waypoint REIT	1.31
		Number of holdings	17

Market Commentary

Global equity markets rallied strongly over May recovering from the disruption in April after the United States announced large and widespread tariffs on goods imported into the country. Investors took some confidence in markets following President Trump pausing certain tariffs albeit at this stage the President remains steadfast in his position. Companies reporting their earnings for the period ending March also played a major part in the performance of equity markets. Central banks continue to reduce interest rates with both the Reserve Banks of Australia and New Zealand cutting rates by 0.25%. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's statement where they were more hawkish than expected and also disclosed that one of the six voting members voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally good versus market expectations.

Fund Commentary

The largest positive contributors to the fund's relative return over the month were underweight positions in **Property for Industry** (PFI), **Goodman Property Trust** (GMT), and **New Zealand Rural Land Co** (NZL). While PFI upgraded its earnings guidance and delivered a 4.1% return, this was less than the index return and therefore our underweight position added to relative return. GMT also provided a positive update announcing a solid earnings result and also a new capital partnership. Again up 4.1% over the month this was less than the index thus our underweight added to relative return. NZL was flat over the month with no material news to note.

The largest detractor from relative performance over the month was our overweight positions in **Ryman Healthcare** (RYM) and **Waypoint REIT** (WPR) and an underweight position in **Precinct Properties** (PCT). Following its \$1b capital raise in February, RYM's share price continues to struggle. Investors were hopeful that RYM would provide a positive update on unit sales in its earnings result, unfortunately that wasn't delivered, further, a larger than expected asset devaluation was delivered. This saw RYM deliver a -5.0% return over the month. On no specific news WPR delivered a 1.6% (in AUD) return. After a weak few months PCT rose 9.0%, assisted by the announcement that it has committed to build a new 960 room student accommodation building alongside a new capital partnership.

Portfolio changes over the month included adding to our positions GMT, **Investore Property** (IPL), **Kiwi Property** (KPG) and **Stride Property** (SPG). Positions in **Ingenia Communities** (INA), **Vital Healthcare** (VHP), WPR and **Charter Hall Social Infrastructure REIT** (CQE) were reduced.

(**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 97.8% 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:	\$26.6m
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/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.

Contact Us

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