

Nikko AM Property Strategy

Monthly Update 30 June 2025

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets delivered strong returns over the quarter as markets recovered following the pausing of certain US tariffs along with earnings results announcements.
- The United States S&P 500 index rose 10.6%, the Japanese Nikkei 225 increased 13.7%, the UK FTSE 100 index added 2.1%, and the Australian ASX 200 index gained 9.5%.
- The S&P/NZX 50 index ended the quarter up 2.8%, while the S&P/NZX Real Estate Index delivered a solid 7.3% return and the S&P/ASX 300 A-REIT index delivered an impressive 13.4% return.

Fund Highlights

- The fund delivered a solid 7.2% return over the quarter, largely in-line with the S&P/NZX Real Estate index.
- The positive 2Q was welcomed following a weak 1Q25, and the sector is now up 2.7% year-to-date (vs. the NZX50 down 3.5%). Reporting season in May showed REIT asset valuations were either stable or marginally higher YoY and two of the five larger market cap REITs guided to higher dividends for FY26 (GMT and KPG).
- Over the quarter, an overweight position in Goodman Group, as well as underweight positions in Goodman Property Trust and New Zealand Rural Land Company added value. Overweight positions in Ryman Healthcare, Ingenia Communities, and Kiwi Property group detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	2.38%	7.16%	10.44%	1.23%	2.25%	6.17%
Benchmark²	2.59%	7.25%	9.37%	0.32%	1.20%	5.57%

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.

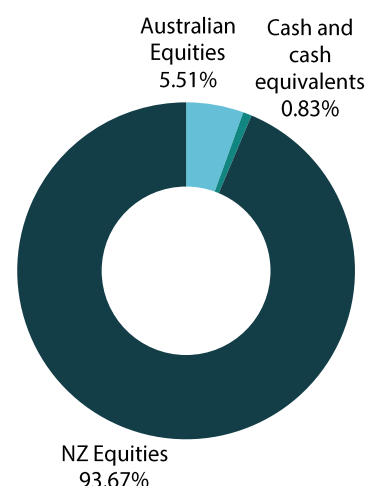
Overview

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:	
Goodman Group	OW	Ryman Healthcare	OW
Goodman Property Trust	UW	Kiwi Property	OW
New Zealand Rural Land Co	UW	Ingenia Communities	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	18.28	Stride Stapled	7.90
Kiwi Property	17.32	Property For Industry	7.64
Precinct Properties	16.75	Investore Property	3.85
Argosy Property	10.67	Ingenia Communities	1.40
Vital Healthcare	8.83	Centuria Industrial REIT	1.25
		Number of holdings	17

Market Commentary

It was a volatile start to the quarter as investors assessed the impact of tariffs announced in early April by the United States. Markets also had to consider the impacts of the conflict in the Middle East which spread to direct conflict between Iran and Israel. This saw a spike in the oil price before reversing as a truce was announced after 12 days of trading blows. Despite these events, global equity markets rallied strongly over the quarter as investors took some confidence in President Trump pausing certain tariffs (albeit at this stage the President remains steadfast in his position). Companies reporting earnings for the period ending March also played a major part in the performance of equity markets. Markets were generally supported by Central Banks continuing to reduce interest rates. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's more hawkish than expected statement and its disclosure that one of the six voting members voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally positive versus market expectations.

Fund Commentary

The largest positive contributors to the fund's relative return over the quarter included an overweight position in **Goodman Group** (GMG), as well underweight positions in **Goodman Property Trust** (GMT) and **New Zealand Rural Land Company** (NZL). GMG increased 20% over the quarter as it continues to recover from a strong sell-off earlier in the year driven by (1) investor fears that AI demand may be less than initially thought, and (2) its \$4bn equity raise in February being absorbed by the market. While GMT rose a respectable 4.1% over the quarter, it underperformed the index, producing a positive relative attribution for the fund. NZL was the only REIT to deliver a negative quarterly return, down 1.1% with no material news announced.

The largest detractors from relative performance over the quarter were overweight positions in **Ryman Healthcare** (RYM), **Kiwi Property** (KPG), and **Ingenia Communities** (INA). RYM fell 20% over the quarter and continues to struggle following its \$1b capital raise in February. Investors were hopeful RYM would provide a positive update on unit sales as its FY25 result in May, which wasn't delivered, and instead, a larger than expected asset devaluation was announced. While KPG rose 4.2% over the quarter after guiding to a solid +3.7% increase in its dividend for FY26, it underperformed the strong index return. INA was essentially flat over the quarter as it trades sideways following strong performance earlier in the year on the back of an earnings upgrade.

Portfolio changes over the quarter included reducing positions in **Mirvac** (MGR), **Region Group** (RGN), and **Waypoint REIT** (WPR), as well as adding to positions in **Argosy Property** (ARG), **Goodman Group** (GMG), and **Stride Property** (SPG).

(**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 98.6% hedged.	Strategy Launch:	February 2010
Wholesale:	Negotiated outside of the unit price.		Strategy size:	\$27.1m
Distributions:			Buy / Sell spread:	0.20%/0.20%
Wholesale:	Calendar quarter	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) on our website https://www.nikkoam.co.nz/invest/institutional .		

Compliance

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

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Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com