

# Nikko AM Property Strategy

Monthly Update 30 April 2024

Applies to the Nikko AM Wholesale Property Fund.

## Market Overview

- Most global equity markets fell over the month, reacting to the likely timing of rate cuts being pushed out as inflation remains persistent.
- The United States S&P 500 index fell 4.2%, the Japanese Nikkei 225 lost 4.9%, the UK FTSE 100 index gained 2.4%, the Australian ASX 200 index declined 2.9% and the MSCI World index ended the month down 1.8% (in local terms).
- The S&P/NZX Real Estate index fell 2.7% over the month, behind the S&P/NZX 50 index which was down 1.2%.
- The Australian property index (ASX300) had a tough month, down 7.6%, on the back of higher-than-expected 1Q24 inflation data, likely pushing out the timing of interest rate cuts and driving Australian Government Bond yields materially higher.

## Fund Highlights

- The fund was down 2.7% over the month, in-line with the S&P/NZX Real Estate index.
- KPG and ARG announced independent valuations for their property portfolios for the six months ended 31 March 2024. KPG's portfolio valuation was flat at a headline level, while ARG saw a 3.0% valuation decline. By sector, office and industrial values continue to reduce, while retail is also softening but appears to be faring slightly better than office and industrial.
- Underweight positions in Property for Industry and Precinct Properties added value, as did an overweight position in Argosy Property. An underweight position in Goodman Property and overweight positions in Ingenia Communities and Stride Property detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	-2.74%	-2.43%	1.61%	-4.40%	1.80%	8.20%
<b>Benchmark<sup>2</sup></b>	-2.72%	-2.43%	1.40%	-4.79%	1.03%	7.84%

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<sup>1,2</sup>



## 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.

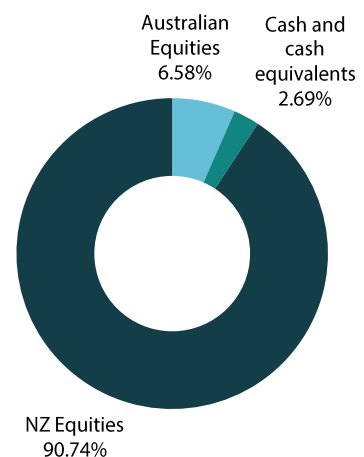
## Overview

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	Ingenia Communities	OW
Precinct Properties	UW	Goodman Property	UW
Argosy Property	OW	Stride Property	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	20.13	Vital Healthcare Property	7.94
Precinct Properties	14.60	Property for Industry	7.41
Kiwi Property	12.99	Investore Property	4.54
Argosy Property	11.44	Waypoint REIT	2.02
Stride Stapled	8.25	Ingenia Communities	1.74
		<b>Number of holdings</b>	<b>18</b>

## Market Commentary

While there was mixed economic data, sticky inflation continues to impact on markets with the likely timing of interest rate cuts by the US Federal Reserve pushed out. This led to 10-year bond yields rising materially over the month with the US 10-year rate rising from 4.2% to 4.68%, the Australian 10-year rate rising from 3.96% to 4.42% and the New Zealand 10-year rate rising from 4.54% to 4.94%. The pushing out of the timing of rate cuts and the increase in bond yields had a negative impact on equity markets. Amongst major market indices only the United Kingdom and Chinese markets ended in positive territory over the month. Geo-political tensions also weighed on markets with conflict in the Middle East continuing and the risk that it escalates across the region.

## Fund Commentary

The largest positive contributors to the fund's relative return over the month were underweight positions in **Precinct Properties** (PCT) and **Property for Industry** (PFI), and an overweight position in **Argosy Property** (ARG). PFI fell 5.3% while PCT fell 3.7%, both on no specific news. ARG was flat over the month, outperforming the benchmark. ARG released the outcome of its independent valuation of its property portfolio for the six months ended 31 March 2024, with the portfolio seeing a revaluation loss of 3.0% in the 2H, resulting in a full year loss of 5.4%.

The largest detractors from relative performance over the month were an underweight position in **Goodman Property** (GMT), and overweight positions in **Ingenia Communities** (INA) and **Stride Property** (SPG). GMT was flat over the month, outperforming the benchmark and fund return. INA was down 10.9% as the Australian property sector fell on the back of higher-than-expected inflation data, likely pushing out the timing of rate cuts in Australia and driving Australian Government bond yields materially higher. SPG fell 7.4% on no specific news.

Portfolio changes over the month included reducing positions in **Investore Property** (IPL), Arvida Group (ARV), and Summerset Group (SUM), as well as adding **Centuria Industrial REIT** (CIP) and **Region Group** (RGN) to the fund on recent price weakness.

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

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>	<b>Hedging:</b> 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 96.0% hedged.	<b>Strategy Launch:</b> February 2010
<b>Wholesale:</b> Negotiated outside of the unit price.	<b>Exclusions:</b> Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy size:</b> \$22.8m
<b>Distributions:</b>	<b>Restrictions:</b> Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/institutional">https://www.nikkoam.co.nz/invest/institutional</a> .	<b>Buy / Sell spread:</b> 0.20%/0.20%
<b>Wholesale:</b> Calendar quarter		

## Contact Us

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## Compliance

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

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