

# Nikko AM Property Strategy

Monthly Update 31 July 2024

Applies to the Nikko AM Wholesale Property Fund.

## Market Overview

- Global equity markets had mixed performance over the month as rate cuts and the potential more for rate cuts were countered by a rotation away from tech related stocks.
- The United States S&P 500 index rose 1.1%, the Japanese Nikkei 225 fell 1.2%, the UK FTSE 100 index increased 2.5%, the Australian ASX 200 index gained 4.2% and the MSCI World index ended the month down 0.2% (in local terms).
- Locally, the S&P/NZX 50 index had strong month, up 5.9%, while the S&P/NZX Real Estate Index was up 5.7% and the S&P/ASX 300 A-REIT index was up 6.8%.

## Fund Highlights

- The fund had a strong month, up 6.3%, 0.5% ahead of the index. The sector's strong performance followed more dovish than expected commentary from the Reserve Bank of New Zealand (RBNZ) during the month.
- The largest movers in the S&P/NZX Real Estate Index over the month were Investore Property (+12.6%), Precinct Properties (+8.5%), and Kiwi Property Group (+8.4%).
- The funds overweight positions in Waypoint REIT and Ryman Healthcare added relative value, as did an underweight position in Goodman Property. An underweight position in Precinct Properties, along with overweight positions in Dexus Industria REIT and Argosy Property detracted from relative 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>	6.30%	0.59%	-5.14%	-5.64%	-0.34%	7.40%
<b>Benchmark<sup>2</sup></b>	5.72%	-0.62%	-6.40%	-6.11%	-1.72%	6.94%

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.

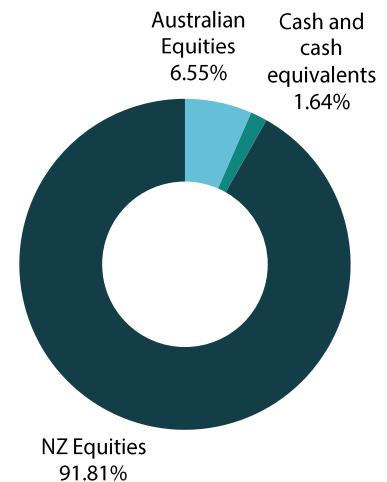
## Overview

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:	
Waypoint REIT	OW	Precinct Properties	UW
Ryman Healthcare	OW	Dexis Industria REIT	OW
Goodman Property	UW	Argosy Property	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	18.65	Property for Industry	7.92
Precinct Properties	16.62	Vital Healthcare Property	6.91
Kiwi Property	15.27	Investore Property	4.07
Argosy Property	10.18	Ingenia Communities	1.76
Stride Stapled	8.65	Waypoint REIT	1.73
		<b>Number of holdings</b>	<b>19</b>

## Market Commentary

The Reserve Bank of New Zealand (RBNZ) Official Cash Rate (OCR) decision represented the major market moving event in July. There was no change to the OCR at 5.5% but the accompanying commentary surprised the market by being a lot more dovish than expected, noting inflation will return to the 1-3% target range over the second half of 2024. As a result, the RBNZ's restrictive policy will likely be tempered over time, consistent with the expected decline in inflation pressures. This was a significant turn of events and brought forward the market's expectations of the first OCR cut from February 2025 to possibly as early as August 2024. This saw the NZ equity market rally strongly, with the S&P/NZX 50 index closing 5.9% higher. On an equal weight basis, the market was up 10.4% as small and mid-sized companies performed better than their larger counterparts. Among the 50 index members, 43 delivered positive returns.

## Fund Commentary

The largest positive attributors to the fund's relative return over the quarter were overweight positions in **Waypoint REIT (WPR)** and **Ryman Healthcare (RYM)**, as well as an underweight position in **Goodman Property (GMT)**. WPR was up 16.6% as the Australian property sector rallied strongly over the month, while RYM increased 27.3% on the back of the somewhat dovish statement from the Reserve Bank of New Zealand, as well as a takeover offer for Arvida (ARV) which pushed the retirement sector stocks higher in the second half of the month. While Goodman Property rose 2.7% over the month, it underperformed the index as investors rotated into more undervalued property companies, as well as those that will benefit to a greater extent from rate cuts.

The largest detractors from relative performance over the quarter were an underweight position in **Precinct Properties (PCT)**, as well as overweight positions in **Dexus Industria REIT (DXI)** and **Argosy Property (ARG)**. PCT rose 8.5% on no material news, although its strong performance possibly reflects investors favouring PCT as a way to increase their property exposure in general ahead of rate cuts. While DXI and ARG delivered 3.1% and 3.4%, respectively over the month (on no specific news), these two stocks underperformed the strong 5.7% index return.

Portfolio changes over the quarter included reducing positions in **Argosy Property (ARG)** and **Asset Plus (APL)**, as well as exiting its position in Garda Property Group (GDF). The fund added to positions in **Region Group (RGN)** and **Kiwi Property (KPG)**.

(**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 95.9% 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>	\$20.7m
<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			

## Compliance

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

## Contact Us

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