

Nikko AM Property Strategy

Monthly Update 31 October 2024

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Most key international equity markets were negative over the month with rising bond yields providing a head wind.
- The United States S&P 500 index fell 1.0%, the Japanese Nikkei 225 rose 3.1%, the UK FTSE 100 index declined 1.5%, the Australian ASX 200 index lost 1.3%, and the S&P/NZX 50 index was up 1.7%.
- The S&P/NZX Real Estate Index delivered a 1.8% return, while the S&P/ASX 300 A-REIT index fell 2.6%.

Fund Highlights

- The fund had a positive month, up 1.5%, albeit slightly behind the index return of 1.8%.
- October was quiet for the NZ REITs ahead of reporting season kicking off in November for most in the sector.
- Australian REITs notably underperformed the NZ sector over the month as Australian bond yields rose sharply.
- The fund's overweight position in Ryman Healthcare, as well as underweight positions in Precinct Properties and Property for Industry added relative value over the month. Overweight positions in Waypoint REIT, Dexus Industria REIT, and Ingenia Communities detracted from relative value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.51%	4.71%	14.57%	-4.44%	-0.04%	7.43%
Benchmark²	1.81%	4.42%	12.97%	-4.82%	-1.32%	6.90%

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.

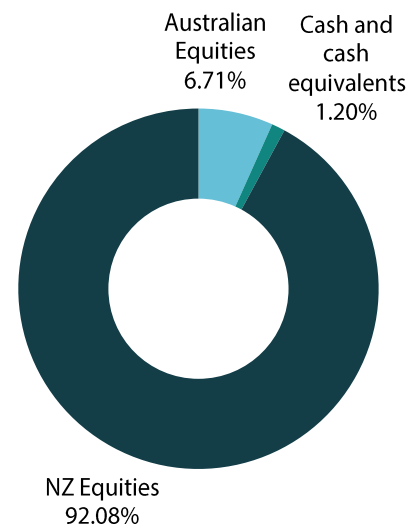
Overview

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:	
Ryman Healthcare	OW	Waypoint REIT	OW
Precinct Properties	UW	Dexus Industria REIT	OW
Property for Industry	UW	Ingenia Communities	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	18.50	Stride Stapled	9.00
Precinct Properties	16.13	Property For Industry	7.24
Kiwi Property	16.12	Investore Property	3.42
Argosy Property	9.78	Ingenia Communities	1.79
Vital Healthcare Property	9.00	Waypoint REIT	1.66
Number of holdings			19

Market Commentary

Most key international equity markets were negative over the month with rising bond yields providing a head wind. Markets were also trying to assess the impact of the pending election in the United States. Additionally, US earnings were a feature in the United States for the period ending September. The US 10-year bond yield rose 50bps over the month as better economic data fed investor expectations for slower or smaller rate cuts than had previously been expected. This move flowed through to both the New Zealand and Australian 10-year bond yields, up 24bps and 53bps respectively. Assisting the New Zealand equity market was the Reserve Bank of New Zealand continuing its rate cuts, reducing the Official Cash Rate by 50bps during the month.

Fund Commentary

The largest positive attributors to the fund's relative return over the month was an overweight position in **Ryman Healthcare** (RYM), as well as underweight positions in **Precinct Properties** (PCT) and **Property for Industry** (PFI). RYM delivered a solid 15.9% return over the month as investors increasingly rotated into undervalued stocks set to benefit from expected rate cuts. PCT and PFI were both essentially flat over the month, underperforming the 1.8% index return.

The largest detractors from relative performance came from some of our Australian holdings, including **Waypoint REIT** (WPR), **Dexus Industria REIT** (DXI), and **Ingenia Communities** (INA). The weakness in Australian REITs was likely due to the Australian 10-year Government bond yield rising notably (+53bps) over the month, following a similar rise in US government bond yields on the back of better-than-expected economic data, suggesting the US may see slower or smaller rate cuts than previously expected.

Portfolio changes over the month included adding to our positions in **Ingenia Communities** (INA) and **Region Group** (RGN). (**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 102.0% 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: \$27.9m
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

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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.