

Nikko AM Property Strategy

Monthly Update 31 December 2024

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets had a mixed performance over the quarter as earnings results, the US election result and central banks cutting rates impacted on returns.
- The United States S&P 500 index rose 2.1%, the Japanese Nikkei 225 gained 5.2%, the UK FTSE 100 index declined 0.8%, the Australian ASX 200 index lost 0.8%, and the MSCI World index ended the quarter up 1.3% (in local terms). Locally, the S&P/NZX 50 index produced a solid 5.6% over the quarter.
- The S&P/NZX Real Estate Index was down 1.8% over the quarter, while the S&P/ASX 300 A-REIT index was down 6.1%.

Fund Highlights

- The fund was down 2.1% over the quarter, 0.3% behind the index return.
- The NZ REIT sector was initially on track to deliver a largely flat return for the quarter; however, a weak final day of trading ultimately saw the sector down 1.8%.
- Quarterly stock performance across the New Zealand REIT sector saw the smaller names deliver positive returns (in particular, Asset Plus, which delivered +17% due to a special dividend), while the larger REITs mostly delivered negative returns. Despite a very positive year to date, the Australian REIT sector had a tough final three months with almost all REITs in negative territory.
- Overweight positions in Ryman Healthcare and Kiwi Property added relative value, as did an underweight position in Precinct Properties. Overweight positions in Ingenia Communities and Waypoint REIT, along with an underweight position in Property for industry detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-2.65%	-2.08%	-1.15%	-6.25%	-1.48%	6.47%
Benchmark²	-2.49%	-1.77%	-2.67%	-6.77%	-2.51%	5.87%

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.

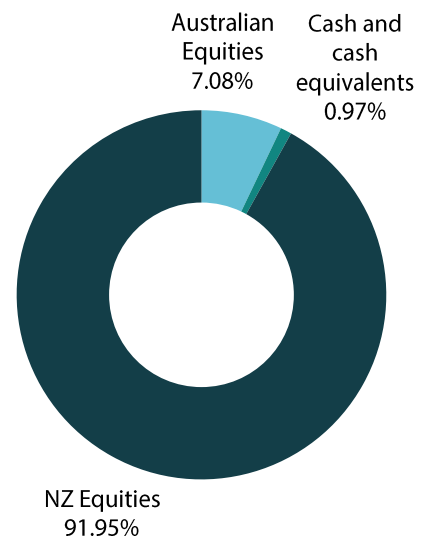
Overview

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

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

Top 10 Holdings (% of fund)			
Goodman Property	18.46	Vital Healthcare Property	8.64
Kiwi Property Limited	16.89	Property For Industry	7.42
Precinct Properties	15.54	Investore Property	3.51
Argosy Property	9.62	Ingenia Communities	1.94
Stride Stapled	8.70	Waypoint REIT	1.62
		Number of holdings	19

Market Commentary

Global equity markets had a mixed performance over the quarter as earnings results, the US election, and central banks cutting rates impacted on returns. After a long build up the United States election arrived, and Donald Trump was elected President. Markets started to focus on potential policy changes that would impact immigration, healthcare, climate change / renewable energy / fossil fuels and tariffs. Earnings results were also a focus of markets over the quarter.

Looking back over the year all key markets posted strong returns with the US and Japanese markets the stand outs. The S&P 500 index rose 23.3% while the Nikkei 225 index rose 19.2% which follows on from their 2023 returns of 24.2% and 28.2%, respectively. With inflation under control in most countries, a key driver for markets over the year was the commencement of central banks cutting rates. This continued in the final quarter of the year with the Reserve Bank of New Zealand cutting the Official Cash Rate by 100bps. Another noteworthy move was the strength of the USD which saw the NZD depreciate 12.2% versus it over the quarter.

Fund Commentary

The largest positive attributors to the fund's relative return over the quarter were overweight positions in **Ryman Healthcare (RYM)** and **Kiwi Property (KPG)**, along with an underweight position in **Precinct Properties (PCT)**. RYM materially outperformed the NZ REIT index, delivering a 9.5% return in a relatively volatile quarter for the stock (at one stage being up 18%, before being sold off following its result in late November, and then subsequently recovering late December). KPG was largely flat over the quarter, albeit it outperformed a weak benchmark. PCT was an unfortunate victim of a particularly weak last trading day of the year, ending the month down 5.0%.

The largest detractors from relative performance over the quarter came from some of our ASX-listed holdings, primarily **Waypoint REIT (WPR)** and **Ingenia Communities (INA)**, down 8.9% and 7.5%, respectively, as the ASX REIT sector weakened 6.1%. Despite this, it follows a very strong year for the ASX REIT sector, which was up 17.6%. An underweight position in **Property for Industry (PFI)** also detracted from performance, outperforming on the benchmark on no material news.

Portfolio changes over the quarter included adding to our positions in **Kiwi Property Group, Ryman Healthcare, and Ingenia Communities**. We reduced our exposure to **Vital Healthcare Property Trust (VHP)**.

(**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 93.7% 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:	\$27.1m
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 quarter.

Contact Us

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