

Nikko AM Property Strategy

Monthly Update 31 January 2025

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Most global equity markets performed strongly over January with the inflation, interest rate and economic growth outlook continuing to be positive drivers along with corporate earnings releases and the inauguration of President Trump also having an impact.
- The United States S&P 500 index rose 2.7%, the Japanese Nikkei 225 declined 0.8%, the UK FTSE 100 index jumped 6.1%, the Australian ASX 200 index added 4.6% and the MSCI World index ended the month up 3.3% (in local terms).
- The S&P/NZX Real Estate Index was up 1.9% over the month, while the S&P/ASX 300 A-REIT index had a strong month, up 4.6%.

Fund Highlights

- The fund was up 2.3% over the month and 0.4% ahead of the index return.
- News flow was very quiet over the month ahead of February when most of the stocks held in the portfolio will report results for the period ending December.
- Overweight positions in Ingenia Communities and Waypoint REIT and an underweight position in Property for Industry added relative value over the month. Underweight positions in Precinct Properties and Goodman Property along with an overweight position in Ryman Healthcare detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	2.29%	-1.33%	1.41%	-3.82%	-1.48%	6.27%
Benchmark²	1.87%	-1.71%	-0.48%	-4.69%	-2.61%	5.61%

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.

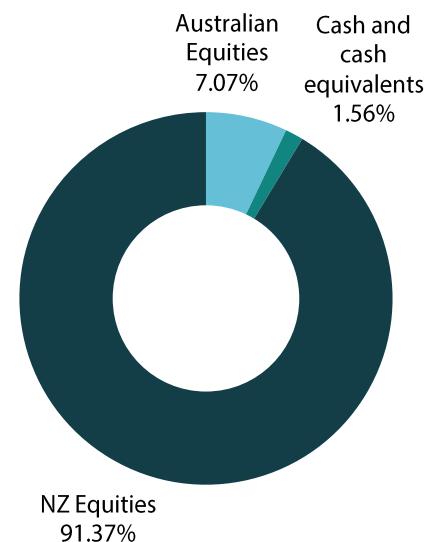
Overview

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

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

Top 10 Holdings (% of fund)			
Goodman Property	18.72	Stride Stapled	8.37
Kiwi Property Limited	16.69	Property For Industry	7.23
Precinct Properties	15.83	Investore Property	3.37
Argosy Property	9.55	Ingenia Communities	2.30
Vital Healthcare Property	8.65	Waypoint REIT	1.66
Number of holdings			19

Market Commentary

Most global equity markets delivered strong returns during January as inflation, interest rate and economic growth outlooks continue to be positive drivers. January also saw the inauguration of President Trump and the market will keep an eye on how policies relating to immigration, healthcare, climate change / renewable energy / fossil fuels and tariffs are implemented and resulting impacts. Technology stocks were impacted by the almost overnight arrival of the Chinese developed artificial intelligence (AI) engine DeepSeek which purports to require a fraction of the cost to develop and run compared to Western AI engines. The New Zealand equity market was somewhat of an outlier, delivering a negative return of 0.9%. The key driver of the New Zealand negative return was the poor performance of several companies that have large weights in the S&P/NZX 50 index with Infratil, Fisher & Parkel Healthcare, Ryman Healthcare and Contact Energy delivering negative returns of 11.0%, 2.1%, 7.4% and 2.1% respectively. The New Zealand and Australian property sectors performed relatively well over the month, helped by the likelihood of a number of interest rate cuts in the year ahead.

Fund Commentary

The largest positive contributors to the fund's relative return over the month were overweight positions in **Ingenia Communities** (INA) and **Waypoint REIT** (WPR) and an underweight position in **Property for Industry** (PFI). Following a weak performance in December, INA had a very strong month in January after upgrading its earnings guidance. INA rose 25.6% (in AUD) over the month. After a particularly weak month in December, WPR recovered in January, ending the period up 4.7% (in AUD). While PFI only fell 0.2% during the period, relative to the index return of 1.9% it underperformed which helped our relative return given our underweight position.

The largest detractors from relative performance over the month were underweight positions in **Precinct Properties** (PCT) and **Goodman Property** (GMT) along with an overweight position in **Ryman Healthcare** (RYM). PCT recovered from an unusual last trading day of December which saw it down close to 7% on the day, up 4.2% during January. RYM continues to be volatile and traded down 7.4% while GMT rose 3.7%, both on no specific news.

Portfolio changes over the month included adding to our positions **Centuria Industrial REIT** (CIP), and **Region** (RGN). We reduced our positions in **Dexus Industria REIT** (DXI) and INA.

(**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 95.1% 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: \$27.8m
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.