

Nikko AM Property Strategy

Monthly Update 28 February 2025

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets were mixed over February with European markets up, while most other markets declined. Key drivers of returns were earnings results, tariffs proposed by the US, and interest rate cuts.
- The United States S&P 500 index fell 1.4%, the Japanese Nikkei 225 dropped 6.1%, the UK FTSE 100 index rose 1.6%, the Australian ASX 200 index lost 3.8%, and the S&P/NZX 50 index ended the month down 3.0%.
- The S&P/NZX Real Estate Index declined -2.7% over the month, while the S&P/ASX 300 A-REIT index had a particularly tough month, down 6.1% (albeit largely driven by Goodman Group, which was down 14% following its A\$4bn equity raising).

Fund Highlights

- The fund was down 2.5% over the month but 0.2% ahead of the index return.
- February was a busy month with result announcements from four NZ REITs, as well as the majority of the AREITs. Key themes included stabilising property valuations and a more constructive outlook for earnings as interest cost headwinds begin to ease. Within the key sectors, across both NZ and Australia, industrial remains relatively strong, retail is largely stable, and office is recovering slowly.
- Overweight positions in Charter Hall Social Infrastructure REIT, as well as underweight positions in Precinct Properties and Goodman Property Trust added relative value over the month. Overweight positions in Ryman Healthcare and Region Group, along with an underweight position in Property for Industry negatively impacted relative performance.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-2.48%	-2.89%	2.41%	-3.68%	-1.45%	5.97%
Benchmark²	-2.74%	-3.38%	0.23%	-4.67%	-2.78%	5.31%

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.

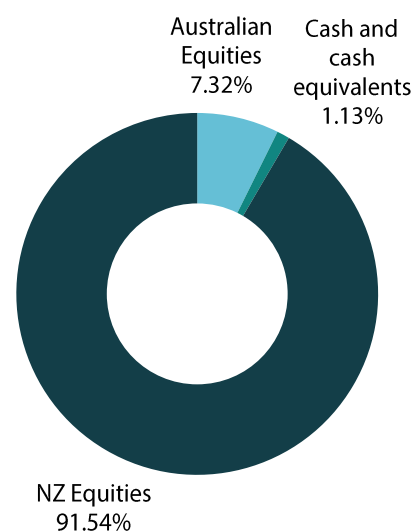
Overview

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	Ryman Healthcare	OW
Charter Hall	OW	Property for Industry	UW
Goodman Property	UW	Region Group	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	17.98	Stride Stapled	8.26
Kiwi Property Limited	17.52	Property For Industry	7.38
Precinct Properties	15.42	Investore Property	3.47
Argosy Property	9.71	Waypoint REIT	1.63
Vital Healthcare Property	8.65	Ingenia Communities	1.59
		Number of holdings	20

Market Commentary

Global equity markets were mixed over February with European markets up while most other markets declined. Key drivers included earnings results, proposed tariffs, and interest rate cuts. President Trump threatened wide ranging tariffs with likely rates of 25% on Canadian and Mexican goods and an additional 10% on Chinese goods. Further tariffs on other markets and goods were also threatened. New Zealand's largest listed stock, Fisher & Paykel Healthcare, will be impacted given its manufacturing base in Mexico for goods sold into the United States. Rate cuts by central banks around the world continue with the Reserve Bank of Australia delivering its first rate cut of the cycle and the Reserve Bank of New Zealand cutting the Official Cash Rate 50 basis points to 3.75%, now 1.75% lower than its peak of 5.5%. We expect this to support increasing investment into the listed property sector as investors gradually rotate out of term deposits into higher-yielding alternatives.

Fund Commentary

The largest positive attributors to the fund's relative return over the month were overweight positions in **Charter Hall Social Infrastructure REIT (CQE)** and underweight positions in **Precinct Properties (PCT)** and **Goodman Property Trust (GMT)**. Recent addition to the fund, CQE, rose 13.5% over February following a solid result which included strong re-leasing spreads, NTA validation (via divestments well above book value), a slight increase to full year dividend guidance, and the commencement of a share buyback. PCT and GMT both fell 6.5% over the month as New Zealand stocks weakened amongst a broader global market sell-off which began in the latter half of the month.

The largest detractor from relative performance over the month was our overweight position in **Ryman Healthcare (RYM)**, which surprised the market with a \$1 billion equity raising to reduce balance sheet pressure. RYM also announced a worse-than-expected trading update, citing challenging market conditions, heightened competition, and negative impacts from changes to its pricing model and organisational restructure. The equity raise was at a significant 29% discount to the last price and the stock ended up falling 23.9% over the month. Further detractors from relative performance against the index included our underweight position in **Property for Industry (PFI)** and our overweight position in **Region Group (RGN)**. PFI outperformed the NZ REIT index following a solid 1H25 result which saw it upgrade its dividend guidance to the top end of its previous range. RGN declined 6.4% following a softer-than-expected 1H25 result which flagged further property level expenses and interest cost headwinds into FY26.

Portfolio changes over the month included adding to our positions **Centuria Industrial REIT (CIP)**, as well as initiating positions in **Goodman Group (GMG)** and **Mirvac (MGR)**. We reduced our positions in **Dexus Industria REIT (DXI)** and **Ingenia Communities Group (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 94.9% 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:	\$27m
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.

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