

Nikko AM Property Strategy

Monthly Update 31 March 2025

Applies to the Nikko AM Wholesale Property Fund.

Market Overview

- Global equity markets were weak over the quarter as the impact of proposed tariffs by the United States raised concerns around the impact on global growth and inflation.
- The United States S&P 500 index fell 4.6%, the Japanese Nikkei 225 dropped 10.7%, the Australian ASX 200 index lost 2.8%, and the S&P/NZX 50 index ended the quarter down 6.2%. UK markets bucked the trend with the FTSE 100 index increasing 5.0% over the 3-months to 31 March.
- The S&P/NZX Real Estate Index declined 4.3% over the quarter, while the S&P/ASX 300 A-REIT index fell 6.6%.

Fund Highlights

- The fund was down 4.0% over the quarter but 0.2% ahead of the index return.
- Key themes across both NZ and Australian listed REITs over recent months include stabilising property valuations and a more constructive outlook for earnings as interest costs ease. March was a relatively quiet month for the listed property sector. Argosy Property provided an update outlining some recent leasing success and, despite relatively challenging conditions, announced that it does not see a need to reduce its dividend at this stage. Precinct Properties announced the sale of its hotel at one Queen Street for \$180m to a Singaporean based purchaser, while Ryman Healthcare surprised the market with a \$1b equity raising at (a 29% discount to the last traded price) to reduce gearing.
- Overweight positions in Ingenia Communities, Waypoint REIT, and Charter Hall Social Infrastructure REIT added relative value over the quarter. Overweight positions in Ryman Healthcare and Stride Property, along with an underweight position in Property for Industry negatively impacted relative performance.

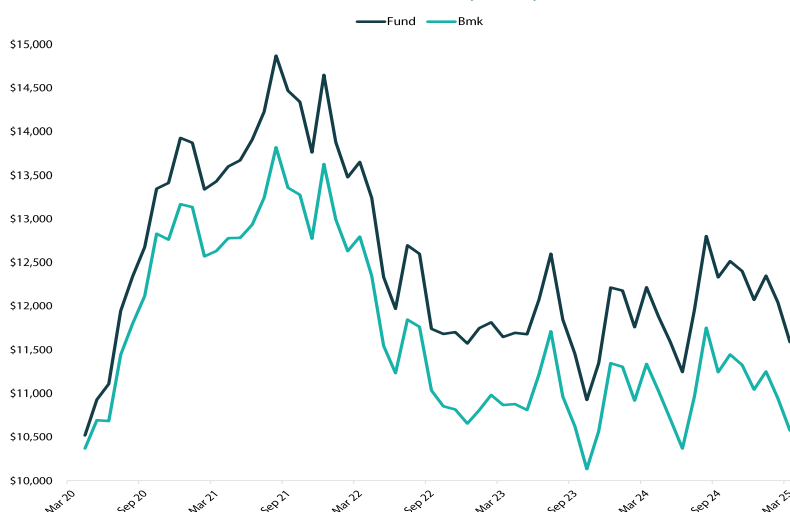
Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-3.78%	-4.01%	-5.15%	-5.32%	2.99%	5.51%
Benchmark²	-3.37%	-4.25%	-6.74%	-6.16%	1.12%	4.88%

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.

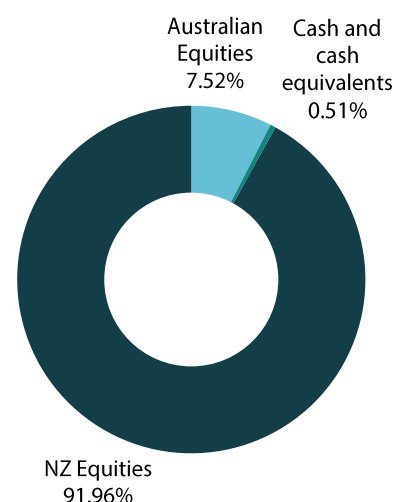
Overview

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	Ryman Healthcare	OW
Waypoint REIT	OW	Property for Industry	UW
Charter Hall REIT	OW	Stride Property Stride	OW

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

Top 10 Holdings (% of fund)			
Goodman Property	18.24	Stride Stapled	7.94
Kiwi Property Limited	17.58	Property For Industry	7.73
Precinct Properties	15.89	Investore Property	3.48
Argosy Property	10.18	Waypoint REIT	1.68
Vital Healthcare Property	8.21	Ingenia Communities	1.60
		Number of holdings	19

Market Commentary

Global equity markets were mixed over the March quarter with European markets up, while most other markets declined, driven by 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. The tech heavy Nasdaq index and the Japanese Nikkei index were two markets that saw significant declines, down 10.4% and 10.7% respectively. Investors are assessing the impact of tariffs on global growth and inflation with both having a negative impact on equity markets. 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 also cutting rates with the Official Cash rate now 1.75% lower than its peak of 5.5%.

Fund Commentary

The largest positive contributors to the fund's relative return over the quarter were overweight positions in some of our Australian holdings, including **Ingenia Communities (INA)**, **Waypoint REIT (WPR)**, and **Charter Hall Social Infrastructure REIT (CQE)**. INA rose 19% over the quarter after upgrading its earnings guidance in January, while CQE rose 7% following a solid result in February which demonstrated strong re-leasing spreads, NTA validation (via divestments well above book value), an increase to full year DPS guidance, and the commencement of a share buyback. WPR rose 3.5% over the quarter (outperforming the negative benchmark return) after providing FY25 guidance ahead of market expectations.

The largest detractor from relative performance over the quarter was our overweight position in **Ryman Healthcare (RYM)**, which surprised the market with a \$1 billion equity raising at a 29% discount to the price (at the time) 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 stock has softened further following its raising and was down 37% over the quarter and we see strong valuation support at current levels. Further detractors included our underweight position in **Property for Industry (PFI)** and our overweight position in **Stride Property (SPG)**. 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, while SPG declined almost 13% over the quarter on no material newsflow.

Portfolio changes over the quarter included adding to our positions **Centuria Industrial REIT (CIP)**, **Goodman Group (GMG)**, **RYM**, and **Summerset (SUM)**. We reduced our positions in **Dexus Industria REIT (DXI)**, **INA**, and **Winton Land (WIN)**.

(**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 97.5% hedged.	Strategy Launch:	February 2010
Wholesale:	Negotiated outside of the unit price.				
Distributions:		Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$25.6m
Wholesale:	Calendar quarter				
		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%

Compliance

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

Contact Us

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