

Summer Listed Property

Summer
KiwiSaver Scheme
My Plan

Summer Listed Property fund performance summary as at 31 December 2017

Fund at a glance

Unit price (as at 31 December 2017): \$1.0625

Date the fund started: 19 September 2016

Annual fund charges: 0.90% pa. of the value of the investment plus GST

Account fee: \$36 per member per year

Manager: Forsyth Barr Investment Management Limited

For more information about the fund, please see the fund's product disclosure statement and most recent fund update at www.summer.co.nz

Fund objective and strategy

The fund invests in selected listed property vehicles. We aim to achieve positive long-term returns. These kinds of investments will typically have moderate to high levels of movement up and down in value. They can be suitable for someone who wants to invest in listed property vehicles and is comfortable with that level of movement, with a view to achieving improved longer-term returns.

Risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help members understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator. Below is the risk indicator for the Summer Listed Property fund:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way. Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating. This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2017. While risk indicators are usually relatively stable, they do shift from time to time.

Fund returns

Annualised total since inception	1 Month	3 Months	1 Year
5.00%	2.28%	5.88%	12.77%

Fund returns are calculated net of fund charges, trading expenses and accrued tax for a New Zealand resident individual paying tax at the highest Prescribed Investor Rate (28%).

Top 10 Investments

	Asset Name	% of fund net assets
1	Precinct Properties New Zealand Limited	16.95%
2	Goodman Property Trust	16.68%
3	Kiwi Property Group Limited	16.08%
4	Property For Industry Limited	8.59%
5	Stride Property Group	8.26%
6	Vital Healthcare Property Trust	7.75%
7	ANZ Cash Deposit	7.14%
8	Investore Property Limited	3.95%
9	Westfield Corporation	3.28%
10	Lendlease Group	3.05%
Total value of top 10 assets		91.73%

Manager's comments

Fund Performance

Summer Listed Property delivered returns of 2.28% for the month, 5.88% for the three months to December and 12.77% for the year.

Market Commentary

The New Zealand listed property sector (represented by the S&P/ NZX 50 Property Gross Index) delivered a respectable return of 6.46% in the December quarter. Nonetheless, the 12.79% return posted by the listed property sector during 2017 was considerably below the 22.04% return achieved by the broader New Zealand equity market (measured by the S&P/NZX 50 Gross Index). There are multiple reasons why the New Zealand equity market has outperformed the New Zealand listed property market for some time now. Firstly, rising interest rates tend to be associated with periods of flat or declining property returns and higher interest rates in the United States have certainly dampened buyer demand. Secondly, the New Zealand property sector has been a very strong performer over a number of years. The three-year compound return is circa 10% p.a. and as a result, we expect a period of consolidation. Thirdly, although the outlook for the New Zealand economy remains robust, we believe that the change in government has left many property investors feeling less confident, particularly with regards to reform of existing tax policies.

Portfolio Positioning

One of the key investment decisions taken by the fund in recent years was a move in 2015 to employ a diversification strategy. This approach included the addition of a number of exposures in the retirement property sector. Purchases also extended to Australian real estate investment exposures such as Westfield and Stockland. During the December quarter we sold all of our listed New Zealand retirement property exposures. The primary rationale for doing this is that we believe the sector is now over-valued. Retirement property is highly correlated with New Zealand residential property values and these also appear extremely expensive, in our view.

Outlook

As mentioned, higher interest rates tend to negatively affect listed property. Consequently, it would be no surprise if the sector was again relatively subdued in 2018. Nonetheless, we believe the property sector is comparatively well positioned for higher rates. Firstly, gearing levels actually fell in 2017, which is very encouraging. Secondly, gross dividend yields remain attractive at circa 7.00% and on its own this should be sufficient to defend capital values. Finally, cash flows remain robust, which is a reflection of strong rental demand. Positive fundamentals such as these will remain intact as long as the New Zealand economy remains on track, in our view.

For more information on the Summer Listed Property fund or the other Summer KiwiSaver scheme funds, or to read the latest Quarterly Fund Update visit www.summer.co.nz/performance.

The Summer KiwiSaver Scheme is managed by Forsyth Barr Investment Management Ltd. You can obtain the Scheme's product disclosure statement and further information about the Scheme at www.summer.co.nz from one of our offices, or by calling us on 0800 11 55 66. Forsyth Barr Investment Management Ltd is a licenced manager of registered schemes and part of the Forsyth Barr group of companies. Disclosure statements are available from Martin Hawes and your Forsyth Barr Authorised Financial Adviser, on request and free of charge.

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