# Listed Property Fund

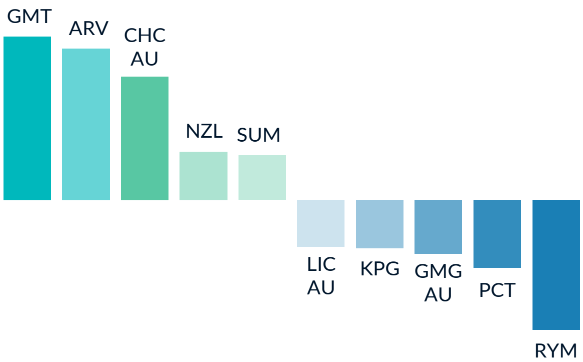
**Investor Factsheet for the quarter ended 31 March 2025**

| | Quarter Performance | 1 year | 3 years* | 5 years* | Since Inception* | Since Sep 2019* |
|---|---|---|---|---|---|---|
| **Gross Fund Return**** | -4.77% | -6.45% | -5.55% | 2.88% | 6.18% | -1.64% |
| S&P/NZX 50 All Real Estate Gross with Imputation*** | -4.25% | -6.74% | -6.21% | 1.09% | 6.25% | -3.15% |
| **Out/under performance** | **-0.52%** | **0.29%** | **0.66%** | **1.79%** | **-0.08%** | **1.51%** |
| Tracking error | n/a | 1.49% | 1.82% | 2.03% | 3.98% | 2.03% |
| Information ratio | n/a | 0.20 | 0.36 | 0.88 | -0.02 | 0.74 |
| Sharpe ratio | n/a | -0.90 | -0.79 | -0.01 | 0.28 | -0.29 |

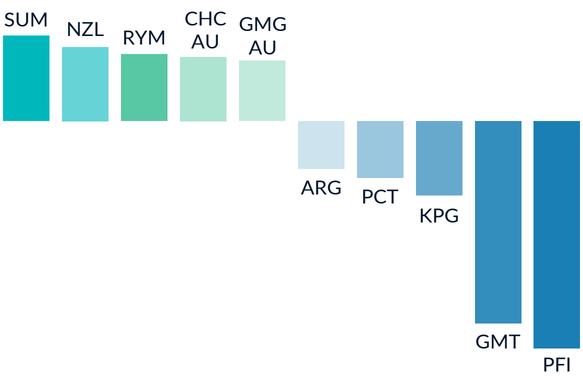
## Key Fund Facts as at 31 March 2025

| | | | |
|---|---|---|---|
| **Fund Name** | Listed Property Fund | **Risk Indicator** | 1 2 3 4 **5** 6 7 |
| **Inception Date** | 26/06/2008 | **Market Index** | S&P/NZX All Real Estate Gross with Imputation |
| **Fund Value (NZD)** | $58,097,440 | **Unit Price** | $2.1162 |

ATTRIBUTION (ROLLING 4QS TO 31 MARCH 2025)




PORTFOLIO CONVICTION (AS AT 31 MARCH 2025)




## The fund in its macro context

The March quarter proved difficult for New Zealand listed property investors. Long bond yields were stable, closing the quarter ~4.6%, the sector decline was on weak sentiment and low liquidity, rather than material changes in fundamentals. With recent asset sales from Investore Property Ltd and Precinct at or above book value, these deals supported the view that valuations may be nearing a trough.

Cap rates appear to have stabilised after a multi-year softening cycle and most NZ REITs continue to trade at double-digit discounts to their tangible asset backing. This dislocation persists despite stabilising earnings and falling interest costs.

The sector now trades on a wide discount (around 29%) to NTA ex-GMT and offers gross dividend yields in the range of 5.5% - 10.5% . We believe this dispersion presents an attractive opportunity for active, fundamental-focused managers.

## Portfolio attribution

For the quarter to 31 March, the Listed Property Fund delivered a gross return of -4.77%, underperforming the fund's market index return of -4.25%.

Over the past four quarters, the Fund delivered a gross return of -6.45%, outperforming its market index return of -6.74%.

Our overweight in New Zealand Rural Land Co. (NZL) delivered a solid performance, up 5.0% in March and one of few names in the sector with positive total returns over the

* Annualised

** Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. For periods prior to April 2018 the Gross Funds Returns do not include imputation credits.

***For periods prior to April 2018, the market index/benchmark return used is the S&P/NZX All Real Estate Gross Index without Imputation. Market index returns do not have any deductions for fund charges, trading expenses or tax.

quarter. NZL's CPI-linked leases delivered an 18.6% uplift across much of its pastoral portfolio last July, supporting future dividend growth. Balance sheet improvement and a strong dairy payout have further lifted sentiment.

Goodman Property Trust (GMT), where we've maintained a material underweight, was a strong positive contributor over the past year. Industrial sector valuations and rents have flattened out, with rents potentially moving negative after a period of strong growth. GMT remains the most expensive REIT on the market, with the tightest gap to NTA and lowest dividend yield. With the industrial market potentially moving into a position of excess supply and material gaps between contract and market rents we remain underweight for now.

Key detractors included our underweight in Precinct Properties (PCT) and overweight position in Ryman Healthcare (RYM). Despite the share price falling PCT has held up better than other NZ REITs over the last four quarters. The market appears to be giving some credit for their funds management strategy, which has scope to deliver faster earnings growth, though we are cautious of the additional risk involved.

RYM underperformed sharply after announcing a $1 billion equity raise at a 29% discount in the quarter. This followed a weak trading update where changes to its deferred management fee and weekly charges have clearly impacted unit sales. Though we retain a constructive long-term view, the timing of these changes, lowered build rate guidance, and scale of the raise weighed on sentiment.

## Portfolio conviction

Our conviction remains focused on those stocks where we see underappreciated growth and greatest scope for valuation reversion. We have touched on NZL (above) and remain confident the company can deliver AFFO and dividend growth ahead of the market, helping to close its wide discount to NTA.

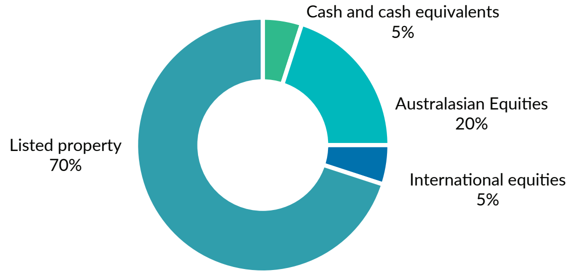
Other conviction long positions include aged care players Summerset and RYM. The aged care sector has suffered after developing excessively during the post-Covid housing boom. Ultimately, both of these companies have excellent brands and long growth runways. We expect that falling interest rates and a pick-up in residential activity will support inventory clearance and stronger cash flows for the sector, helping drive a re-rating from historically depressed multiples.

We remain materially underweight industrial landlords including Property for Industry and Goodman Property Trust (GMT). While fundamentals have been solid to date, we believe the risk-reward is skewed to the downside given historically tight cap rates, slowing rent growth and expanding industrial supply. We remain modestly underweight Kiwi Property Group given its constrained balance sheet and some questionable capital allocation in recent history but have reduced the position after being positively surprised by lower corporate costs and stronger portfolio leasing activity at the last result.

### TOP 10 FUND HOLDINGS AT QUARTER END

| Security | Weight |
|---|---|
| Precinct Properties New Zealand Limited | 18.5% |
| Goodman Property Trust | 17.7% |
| Kiwi Property Group Limited | 14.0% |
| Argosy Property Limited | 8.3% |
| Vital Healthcare Property Trust | 7.9% |
| Stride Property Group | 7.5% |
| Property For Industry Limited | 7.5% |
| New Zealand Rural Land Company | 2.7% |
| Investore Property Limited | 2.7% |
| Summerset Group Holdings Limited | 1.6% |
| **Major holdings as % of total portfolio** | **88.5%** |

### TARGET ASSET ALLOCATION




## Conclusion

The March quarter was another test of patience and conviction for listed property investors. While absolute returns remained negative, the fund's positioning and active management helped deliver relative outperformance over the year. Key contributors—overweights in NZL, Charter Hall (AU), and underweights in Vital Healthcare and GMT—highlighted the value of sticking to a disciplined, fundamentals-based process.

We remain constructive. With cap rates stabilising, interest rates easing, and the sector still trading at a wide discount to underlying asset values, we believe conditions are in place for a medium-term re-rating. More recent developments post 'liberation day' after quarter end have seen more defensive local REITs outperform with weakness in Australian REITs, aged care and high-quality real estate fund managers. We have rotated into the latter with some of these offering attractive opportunities for long term investors.

## Investment Philosophy and Thesis

Octagon is an active investment manager. Our investment philosophy focuses on developing a repeatable process that systematically looks for short-to-medium term inefficiencies in market pricing of securities with a solid economic basis and a good management team to deliver long term, measurable alpha.

The most common and persistent market inefficiencies we find are:

- excessive focus on near term earnings
- market dislocations and liquidity events
- temporary governance failures
- irrational investor behaviour

For Octagon, "value" means not overpaying for the promise of future growth by developing a fundamental understanding of a business, its financial metrics, return on invested capital and then scenario testing the investment model under different macro conditions.

## Portfolio Manager

**Jason Lindsay, CA**
Head of Equities

**Tobias Newton**
Associate Portfolio Manager

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