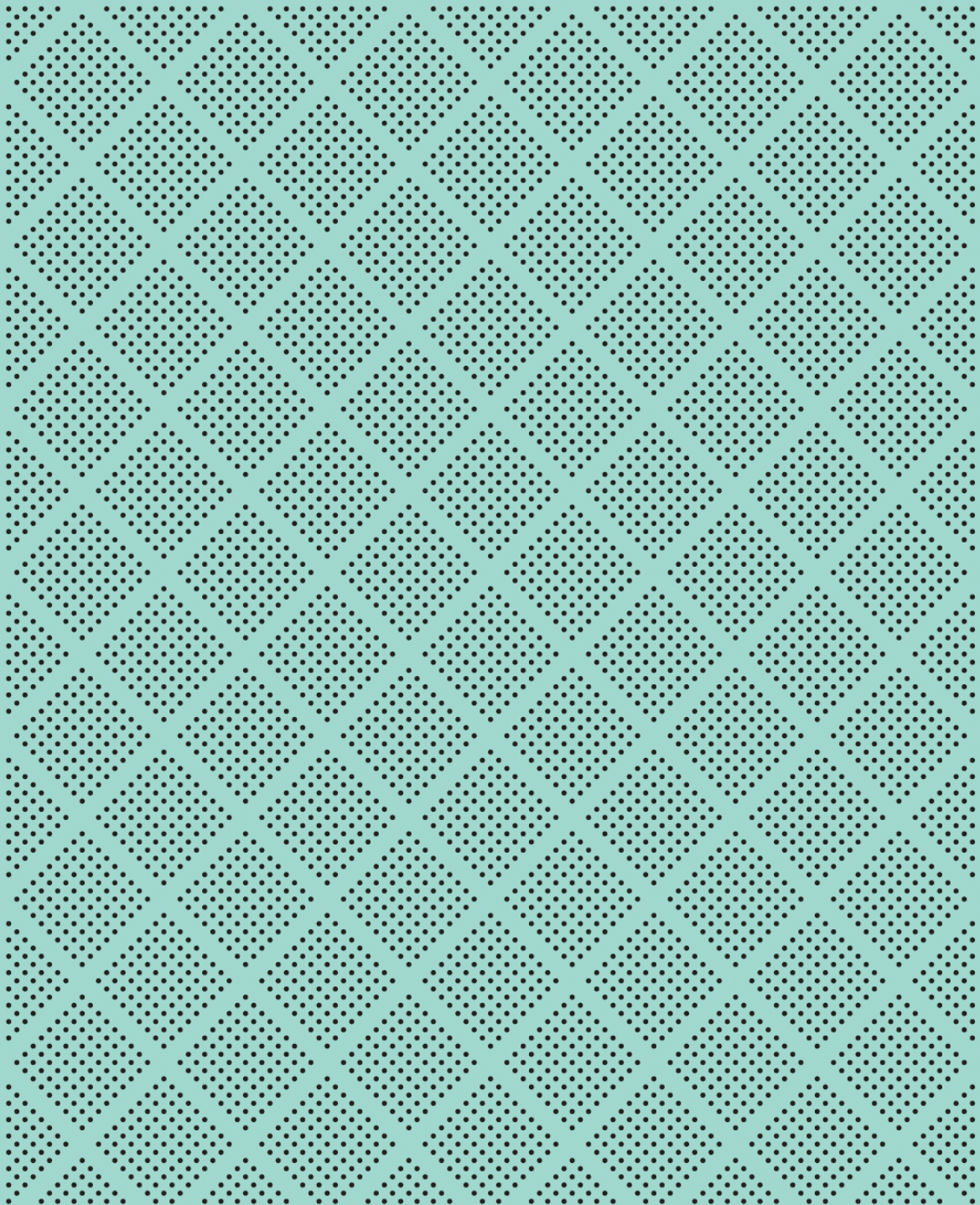


**Quarterly Fund Report:
Mint Australasian Property Fund**



SINGLE SECTOR FUND



Mint Australasian Property Fund

Investment Objective

The fund aims to provide investors with long-term capital growth by investing in New Zealand and Australian listed property and property related securities. The Fund has an investment objective of outperforming the S&P/NZX All Real Estate (Industry Group) Gross Index after fees and expenses, over the medium to long term.

Artificial intelligence steals the day

It feels strange writing about artificial intelligence while commentating about a property fund, but our exposure to data centres through investments in NextDC and Goodman Group were a significant driver of this quarter's performance. NextDC have never looked to hide their light under a bushel, but quotes like "this is the fourth industrial revolution" and "we are on the cusp of the most significant change in digital infrastructure in my career" made on their results call summed up the sentiment towards AI stocks in the quarter. The standout stock on the global stage was Nvidia the US based chip maker that has seen its share price rise 238% over the last year and 83% year to date driven by the boom in chips needed to run artificial intelligence (AI) algorithms which drive new search engines such as Chat GPT. Clearly the share price move is impressive, but more importantly sales have risen 126% year on year and EBITDA is up 237%, so the P/E of the stock is largely unchanged as earnings growth and share price have moved in tandem.

While there are no chip makers that we can invest in in Australasia, our investments in NextDC and Goodman Group benefited from the prospects of a data revolution, albeit in a more sedate manner (up 30%, and 35% respectively) and were a foundation for our outperformance over the period. Furthermore, we believe both remain well positioned to benefit from the use of these ever increasing sales of microchips through their data centres, over the medium term.

Oz and Kiwi property ploughing different furrows

The positive results from the technology sector overshadowed what was a disappointing reporting season for most companies in New Zealand, in particular, but also in Australia. Expectations were low going into the reporting season, but for the 30 New Zealand companies that reported, beats trailed misses at the EPS line 9:15. The retail sector bore the brunt of the downgrades in New Zealand, but actually fared better in Australia. While office dynamics remain strong in New Zealand (certainly in Auckland, even if concerns are rising in Wellington) significant new capacity coming to the market in Sydney leaves concerns in Australia. Industrial remains the sensible place to be. The difficulty remains that there are very few transactions from which you can derive current market values.

The results from the property sector were solid in New Zealand and good in Australia, with Goodman Group and Charter Hall leading the way. Some of the most interesting news flow in the period was actually transaction driven with Precinct, Goodman Property Trust and Kiwi Property Group all involved. ADIA sold its \$262m stake in Precinct which was easily digested by the market. Goodman Group announced plans to internalise the management of Goodman Property Trust (paying Goodman Group \$272m to relinquish the rights) and will look to set up a new Auckland logistics property fund investing up to \$100m itself with a commitment for up to \$200m from Goodman Group.

The funds outperformance was driven by NextDC, Goodman Group, Charter Hall and Summerset.

NZ under more economic pressure than the US

The rhetoric from Central Banks implies that rates are set to remain higher for longer, so we are unlikely to see rate cuts in the quarter ahead. While this appears to be borne out by positive economic data in the US (positive GDP, falling inflation and robust employment), the same is not true in New Zealand where we are in a technical recession, the new Government is making cuts to Wellington jobs and inflation remain stubbornly high. While we maintain our view, that when the US Federal Reserve cuts its interest rates the Rest of the World will quickly follow, we fear that if cuts are deferred until after the US election or into the fourth quarter of 2024 or beyond, this will be put considerable pressure on the balance sheets of the New Zealand property sector. However, we would expect the Property sector to benefit from rate cuts when they do arrive.

Can we get a soft landing and rates higher for longer?

We don't think so. Looking ahead, we continue to expect a softish landing and maintain that most data continues to support this. The key risk is that inflation remains stubbornly high and that rates remain higher for longer. Nevertheless, we believe the fund's focus on high quality growth assets, with strong balance sheets, competitive advantages and structural tailwinds should allow the portfolio to outperform in either scenario.



Portfolio Manager, John Middleton

BA

John has more than two decades of experience and joined Mint from ANZ Investments where he was Head of Australasian Equity Research. During this time, he was also heavily involved in corporate broking.

At Mint, John is Portfolio Manager for the Australasian Equity Fund and the Australasian Property Fund and provides research coverage across a number of sectors.



Portfolio Manager, David Fyfe

BCom (Hons.), CFA

David has over 15 years' experience in the financial industry. Previously he worked at BT Funds Management (NZ) as both a Quantitative and Equity Analyst undertaking sector research specialising in Transportation, Utilities and Technology in both New Zealand and Australian markets.

At Mint, David is the Portfolio Manager for the NZ SRI Equity Fund and the Australasian Property Fund and provides research across a number of sectors.

Signatory of:



STEWARDSHIP CODE
AOTEAROA NEW ZEALAND

TOITŪ



ISO 14064-1
ORGANISATION



Responsible
Investment
Association
Australasia

**For more information on
our Funds, please contact:**

Level 29, SAP Tower
151 Queen Street, Auckland
New Zealand

P 0800 646 833
E info@mintasset.co.nz
www.mintasset.co.nz