Salt Enhanced Property Fund Fact Sheet – January 2023

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in actively seeking to maximise returns while managing the risks of the investment. Salt examines investments for their environmental and social impact as well as the quality of their governance.

Investment Strategy

The Salt Enhanced Property Fund targets a portfolio of shares of New Zealand and Australian property trusts, companies and other property related securities with exposure to commercial, residential, retail, tourism, industrial, medical, educational, rural, retirement, and other property sectors. The Fund may also, at our discretion, short sell securities, hold cash, lever its assets and utilise active currency management to generate returns.

Fund Facts at 31 January 2023

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$26 million
Inception Date	11 December 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 January 2023

Application	1.4998
Redemption	1.4937

Investment Limits

The limits for the Enhanced Property Fund are shown below:

Gross Equity Exposure[1]	70% – 200%
Net Equity Exposure[1]	70% – 100%
Unlisted securities[1]	0% – 5%
Cash or cash equivalents	0% – 30%

1. To NZ and Australian property and property related securities.

Fund Exposures at 31 January 2023

Long Exposure	99.76%
Short Exposure	6.46%
Gross Equity Exposure	104.26%
Net Equity Exposure	91.35%

Fund Allocation at 31 January 2023

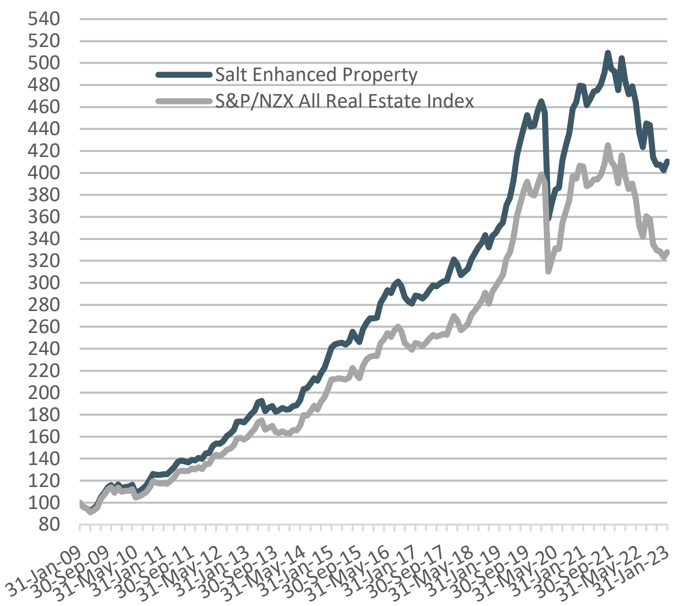
NZ Listed Property Shares	89.30%
AU Listed Property Shares	4.12%
Cash	6.58%

Fund Performance to 31 January 2023

Period	Fund Return	Benchmark Return
1 month	1.95%	1.44%
3 months	0.77%	-0.60%
6 months	-7.74%	-9.06%
1-year p.a.	-15.14%	-17.33%
2 years p.a.	-7.42%	-9.83%
3 years p.a.	-4.08%	-6.14%
5 years p.a.	5.33%	4.42%
7 years p.a.	6.30%	5.06%
Inception p.a.	8.03%	6.83%

Performance is after all fees and does not include imputation credits or PIE tax.

Cumulative Strategy Performance to 31 January 2023*



Fund performance has been rebased to 100 from inception.
Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.
*From 1 January 2009 to 31 December 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights	Top Underweights/Shorts
GDI Property Group	Vital Healthcare Property Trust
Elanor Commercial Property Fund	Precinct Properties NZ
360 Capital REIT	Property For Industry
Asset Plus	Charter Hall Long WALE REIT
Millennium & Copthorne Hotels	BWP Trust

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index advanced by +1.44% in the month of January, continuing its recent trend of lagging the wider NZ equity market (+4.31%) and also its global property peers. The S&P/ASX200 A-REIT Accumulation Index rose by a strong +8.1% and the global FTSE EPRA/NAREIT Index (USD) delivered a return of +8.9%. NZ had strongly outperformed these markets earlier in 2022 but this completely reversed in the latter part of the year as the current economic and monetary policy outlooks for NZ are tougher than in most other countries.

Falling bond yields were a key reason for the sector doing well globally and NZ saw the 10-year benchmark decline from 4.47% to 4.11% in the month. Property stock performance was a little disappointing given this backdrop.

News-flow was seasonally quiet but did see Vital Healthcare Property indicate that moderate 1.9% valuation declines were expected at their next result as cap rate expansion outpaced rental growth. With gearing levels being relatively full, they are targeting the sale of $200m of non-core assets and also reassessing their development pipeline.

Performance in the month was led by Vital Healthcare (VHP, +6.4%) partially bouncing from earlier weakness and Kiwi Property (KPG, +4.9%) on nominal retail sales strength. Laggards were Stride Property (SPG, -2.1%), Property For Industry (PFI, -1.3%) and Argosy Property (ARG, -1.3%).

Salt Enhanced Property Fund Commentary

The Fund outperformed solidly in the month of January, with a return of +1.95% versus the +1.44% turned in by the S&P/NZX All Real Estate Gross Index. This was satisfactory although it partially reflected the sharp outperformance by Australia in the period and a net 4% of the Fund being invested there.

Our collection of Australian positions added a strong +0.59%, within which our shorts detracted -0.07% - a pleasing outcome given the strength of most names in the month.

Our Australian investments were highlighted by a sharp turnaround in the previously weak GDI Property (GDI, +12.6%), the Perth-focused office property company, which fell out of the MSCI Small Cap Index. We had been waiting and hoping for leasing success and two separate updates saw this well and truly confirmed. The closing share price of $0.805 is still at a 37% discount to the last NTA of $1.27, and unlike many of its property peers, the cap rate of circa 6.6% appears reasonable and potentially even conservative.

Other more modest positive contributions came from our holdings in Asset Plus (APL, +8.9%) and Millennium & Copthorne Hotels (MCK, +16.2%). Both are deeply discounted asset plays with clear potential catalysts to turn around.

Headwinds came from being underweight the highly geared Vital Healthcare Property (VHP, +6.4%) and overweight Elanor Commercial Property (ECF, -3.1%) which pulled back for no particular reason.

At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.4% to a NZ investor.

Matthew Goodson, CFA