Salt Enhanced Property Fund Fact Sheet – February 2021

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in managing NZ/Australian equity and listed property mandates for wholesale and retail clients.

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 28 February 2021

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$12.4 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 28 February 2021

Application	1.8153
Redemption	1.8079

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 28 February 2021

Long Exposure	99.12%
Short Exposure	3.87%
Gross Equity Exposure	102.14%
Net Equity Exposure	96.10%

Fund Allocation at 28 February 2021

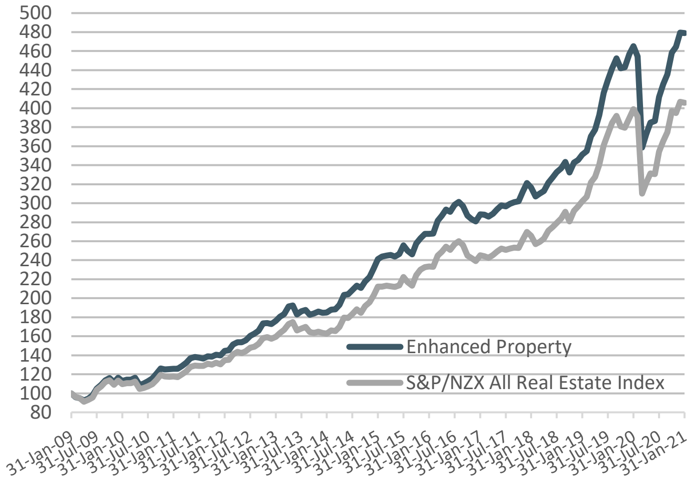
NZ Listed Property Shares	87.55%
AU Listed Property Shares	9.29%
Cash	3.16%

Fund Performance to 28 February 2021

Period	Fund Return	Benchmark Return
1 month	-3.58%	-4.48%
3 months	-0.57%	-1.85%
6 months	8.59%	6.05%
1-year p.a.	1.57%	-0.96%
2 years p.a.	14.08%	12.36%
3 years p.a.	14.58%	14.66%
5 years p.a.	11.48%	10.69%
Inception p.a.	12.70%	11.83%

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

Cumulative Fund Performance to 28 February 2021*



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 30 October 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights	Top Underweights/Shorts
Vitalharvest Freehold Trust	Property for Industry
Centuria Industrial REIT	Vital Healthcare Property Trust
Elanor Commercial Property Fund	Stride Property Group
Garda Property Group	Precinct Properties NZ
Millennium & Copthorne Hotels	Argosy Property

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Monthly Property Market Commentary

The S&P/NZX All Real Estate Gross Index experienced its weakest month since the original Covid-19 panic, declining by -4.3% in February. This was a little weaker than the -2.6% decline of the S&P/ASX200 A-REIT Accumulation Index. Both these indices dramatically underperformed the +4.0% advance by the global FTSE EPRA/NAREIT Index, which carries a far greater weighting to the more cyclical retail shopping centre segment. This had lagged sharply over the last year but is now beginning to recover as economies rebound and a re-opening trade is taking hold across markets.

The NZ benchmark arguably did well to only retrace by the extent that it did given a very sharp lift in NZ 10-year bond yields from 1.10% to 2.02% in the month. While part of a global phenomenon, NZ bond yields have risen further as cyclical optimism takes hold.

News-flow was led by results from Property For Industry (PFI), Precinct Properties (PCT) and Vital Healthcare Property (VHP). They were all reasonably solid although the degree of cap rate contraction was perhaps a touch less than expected for the two latter securities and may struggle a little from here given the sharp move higher in bond yields.

Transaction news saw PFI announce the sale of Carlaw Park for $110m which was largely as expected; Argosy sell the Albany Lifestyle Centre for its book value of $87.5m; and Asset Plus sell Eastgate Shopping Centre on delayed settlement for $43.45m at an 8.3% yield. While this was below book value, the market responded positively to the exit from this difficult asset.

Performance in the month was led by Asset Plus (APL, +0.1%), which was the only stock to eke out a positive return. The largest laggard was Kiwi Property (KPG, -7.4%) which was perhaps a little surprising given that shopping centre stocks sharply outperformed in other markets. Vital Healthcare Property (VHP, -6.4%) and Precinct Properties (PCT, -5.5%) were also soft.

Salt Enhanced Property Fund Commentary

The Fund delivered a very strong month of relative performance, returning -3.58% compared to the -4.33% decline turned in by the S&P/NZX All Real Estate Gross Index. We were moderately assisted by the relatively high 10% net exposure to the cheaper Australian market, which outperformed NZ by 1.7% over the month but the bulk of the outperformance came from stock selection.

As might be expected in a rare negative month, our small group of shorts did well, contributing +0.18% to returns. Bunnings Warehouse Property (BWP, -11.6%) was the stand-out here. Our overall Australian holdings contributed a positive +0.10%, which was pleasing given that the market was down and we were net long.

Our NZ underweights were generally very helpful in terms of their relative contribution. Vital Healthcare Property (VHP, -6.4%), Precinct Properties (PCT, -5.5%) and Kiwi Property (KPG, -7.4%) stood out.

However, a number of our overweights also made positive contributions. The stand-out was Vitalharvest (VTH, +8.7%), which late in the month received a competing private equity suitor and may perhaps see a takeover battle develop. Eureka Group (EGH, +7.4%) delivered a result at the top end of expectations and also did well. Our small holding in Millennium & Copthorne (MCK, +4.7%) bounced on a result that was better than feared although they obviously await a wider re-opening of the economy.

Headwinds came from a number of holdings which followed the general market malaise. Waypoint REIT (WPR, -7%) was the largest negative despite a rock-solid result, with its very long WALT service stations having a high theoretical exposure to rising bond yields. Garda Property (GDF, -4.2%), GDI Property (GDI, -10.0%) and Centuria Industrial REIT (CIP, -3.9%) also weighed.

Matthew Goodson, CFA