

# SALT

## Salt Enhanced Property Fund Fact Sheet – October 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 October 2023

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$21 million
Inception Date	11 November 2014
Portfolio Managers	Matthew Goodson, CFA Nicholas Falconer, MBA

### Unit Price at 31 October 2023

Application	1.3598
Redemption	1.3543

### Investment Limits

The limits for the Enhanced Property Fund are shown below:

Gross Equity Exposure <sup>1</sup>	70% – 200%
Net Equity Exposure <sup>1</sup>	70% – 100%
Unlisted securities <sup>1</sup>	0% – 5%
Cash or cash equivalents	0% – 30%

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

### Fund Exposures at 31 October 2023

Long Exposure	100.52%
Short Exposure	3.70%
Gross Equity Exposure	104.22%
Net Equity Exposure	96.81%

### Fund Allocation at 31 October 2023

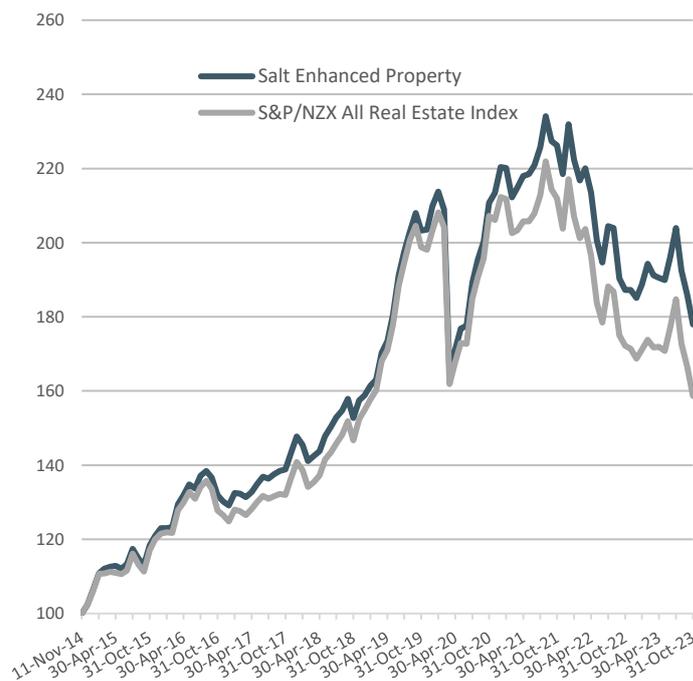
NZ Listed Property Shares	88.71%
AU Listed Property Shares	8.10%
Cash & cash equivalents	3.19%

### Fund Performance to 31 October 2023

Period	Fund Return	Benchmark Return
1 month	-4.28%	-4.70%
3 months	-12.73%	-13.78%
6 months	-6.60%	-7.38%
1 year	-6.29%	-7.50%
2 years p.a.	-11.94%	-13.31%
3 years p.a.	-5.93%	-8.22%
5 years p.a.	2.81%	1.78%
7 years p.a.	4.16%	3.28%
Inception p.a.	6.47%	5.39%

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

### Cumulative Strategy Performance to 31 October 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.

Top Overweights	Top Underweights/Shorts
GDI Property Group	Goodman Property Trust
Asset Plus	Property For Industry
Elanor Commercial Property Fund	Precinct Properties NZ
Servcorp	Investore Property
Millennium & Copthorne Hotels	Mirvac Group

SALT FUNDS MANAGEMENT

Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143

Email: [info@saltfunds.co.nz](mailto:info@saltfunds.co.nz) | [www.saltfunds.co.nz](http://www.saltfunds.co.nz)

## Property Market Commentary

The S&P/NZX All Real Estate Gross Index had another tough month in October, falling -4.6%, once again impacted by the NZ 10-year bond yield surging ever higher to 5.47% (from 5.05% last month and 'only' 4.09% six-months ago). The local property sector performed broadly in line with the NZX50 Gross Index (down -4.8%) and the larger off-shore real estate indices – the global FTSE EPRA/NAREIT Index performed slightly better, falling -4.3% and the S&P/ASX200 A-REIT Accumulation Index fared worse, down -5.8% for the month.

At a company-level, only two stocks had positive returns with Stride Property Group making a solid recovery (SPG, +7.1%) and Winton continuing to perform well (WIN, +4.9%). Although Asset Plus was unchanged for the month, the rest of the market performed poorly – the worst performers being Investore Property (IPL, -10.2%), Kiwi Property (KPG, -8.3%) and Property For Industry (PFI, -6.2%).

It was a quiet month for REIT activity, although PFI were busy – selling two assets (one in line with valuation, the other at a large discount) and purchasing a large parcel of land at a future West Auckland industrial estate – the cash cost of it is staged so it is a relatively capital-light growth option for them.

November sees six of the REITs reporting interim results and in preparation we received valuation updates from a handful of them. Unsurprisingly they all showed declines – key updates being Investore Property (-6.6% valuation decline / +55 basis points cap rate increase), Stride Property Group (-4.7% / +34bps), and Argosy (-2.3% / +19bps).

## Salt Enhanced Property Fund Commentary

The Fund outperformed the S&P/NZX All Real Estate Gross Index by +0.42% over the month – another positive performance outcome in a down month.

Outperformance largely came through our core NZ underweights – Investore Property (IPL, -10.2%), Property For Industry (PFI, -6.2%) and Goodman Property Trust (GMT, -5.0%) - and to a lesser degree a smaller underweight in Kiwi Property Group (KPG, -8.3%). The other main contributor was a moderate-sized short position in Mirvac (MGR, -14.6%) which had another significant fall after declining 12% in September.

Underperformance was unsurprisingly driven by our Australian long-positions given very few stocks had positive returns at all in Australia or NZ in October. We continue to believe the positions we have offer the best value for when the Australian commercial property market bottoms. Of note, our large position in GDI Property (GDI, -3.7%) outperformed and traded flat in a relatively tight range over most of the month.

At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 7.0% to a NZ investor.



Nicholas Falconer, MBA