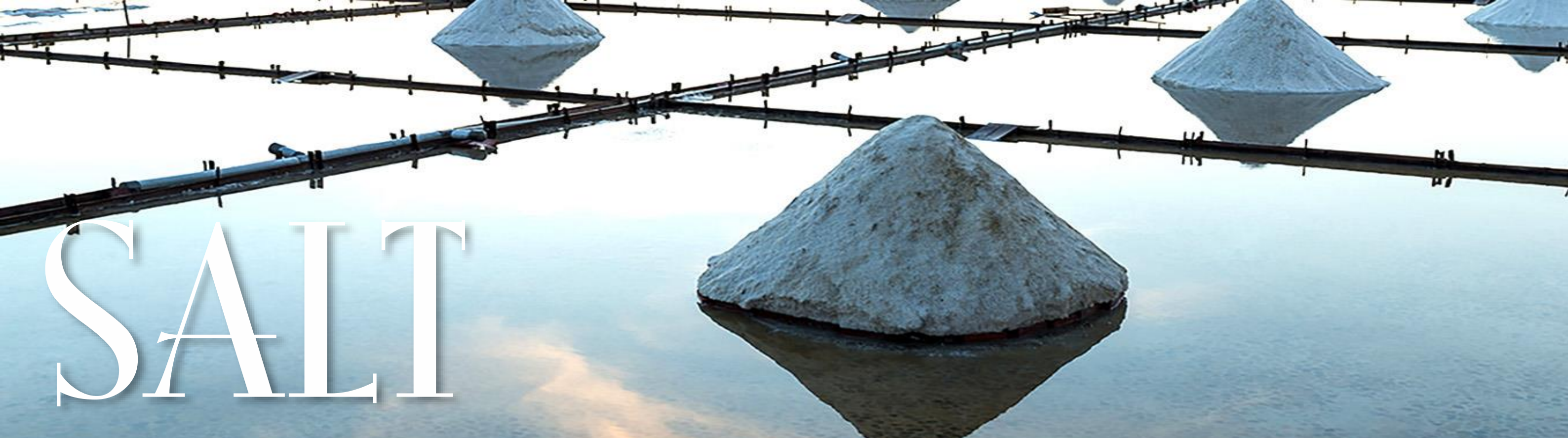


Salt Enhanced Property Fund Fact Sheet – September 2020

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 30 September 2020

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$10.9 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 September 2020

Application	1.7385
Redemption	1.7315

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 30 September 2020

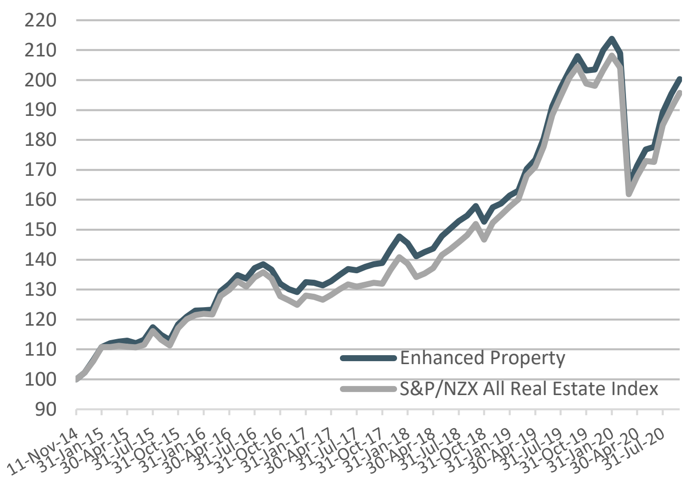
Long Exposure	100.44%
Short Exposure	4.40%
Gross Equity Exposure	104.84%
Net Equity Exposure	96.66%

Fund Performance to 30 September 2020

Period	Fund Return	Benchmark Return
1 month	2.47%	2.61%
3 months	12.75%	13.32%
6 months	21.49%	20.88%
1-year p.a.	-3.73%	-4.34%
2 years p.a.	12.63%	13.51%
3 years p.a.	13.10%	13.95%
5 years p.a.	12.10%	11.94%
Inception p.a.	12.52%	12.08%

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

Cumulative Fund Performance to 30 September 2020



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.

Fund Allocation at 30 September 2020

NZ Listed Property Shares	90.38%
AU Listed Property Shares	8.47%
Cash	1.15%

Top Overweights	Top Underweights/Shorts
Vitalharvest Freehold Trust	Property for Industry
GDI Property Group	Goodman Group
Investore Property	Precinct Properties NZ
Elanor Commercial Property Fund	Vital Healthcare Property Trust
Garda Diversified Property Fund	Kiwi Property Group

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

Quarterly Property Market Commentary

NZ property stocks shook off any Covid-19 concerns and soared by +13.3% in the September quarter, far outpacing the wider NZ equity market, which rose by +2.6%. Rather than a buoyant outlook for property rentals and occupancy, this appears to have been sparked by an extremely dovish RBNZ sparking a chase for yield at any price. The so-called TINA trade (there is no alternative) is in full swing, especially for those property entities that are perceived to have highly certain earnings and dividend outlooks. 10-year bond yields declined from 0.91% to just 0.46% - well below current and future inflation, creating a real quandary for savers and balanced portfolios.

NZ sharply outperformed Australia's S&P/ASX200 A-REIT Accumulation Index, which rose by +7.0%, while the global FTSE EPRA/NAREIT Index rose by only +1.9%. The impact of collapsing bond yields was felt particularly keenly domestically.

News flow in the period saw a solid first half result from Property For Industry (PFI) which largely met forecasts. Commentary was notable for the first signs in some years of higher rental incentives but the market response focused far more on extremely aggressive cap rates of sub-5% that some investors are paying in the sector. Precinct's (PCT) result was notable for a $70m negative valuation decrement at Commercial Bay and their decision to place the 50% they still own of the ANZ Centre on the market.

Performance in the quarter was rationally led by those entities with ultra-long lease terms, namely Vital Healthcare Property (VHP, +19.9%) and Investore Property (IPL, +21.2%). Stride Property (SPG, +20.6%) also did very well although it is still down slightly on the year, which its shopping centre exposure perhaps dragging it down a little. Underperformers were the retail-centric Kiwi Property (KPG, -1.0%) and the office-focused Precinct Property (PCT, +8.7%), reflecting obvious Covid-19 concerns regarding shopping centre assets and emerging worries about the outlook for Auckland office property.

Salt Enhanced Property Fund Commentary

The Fund fractionally lagged the powerful surge in property stocks over the September quarter, rising by +12.75% compared to the +13.32% recorded by the S&P/NZX All Real Estate Gross Index.

With NZ far outperforming Australia over the quarter, the Fund naturally saw greater relative opportunities in that market and gradually lifted its net position there from 4.2% to 8.4%. We are having little difficulty finding property entities in that market with sound outlooks, reasonable gearing, at 20-30% discounts to NTA and 7%+ gross yields to a NZ investor. In NZ, the most expensive names are delivering 3-4% gross yields and are on 20-30% premia to NTA. This hurt the Fund in the short term, delivering a headwind of around 0.40% in the quarter. However, we are confident that it will bear fruit in the medium to longer term.

Unsurprisingly in a strong quarter, the Fund's shorts were a slight headwind but this only came to -0.05%. As a reminder, the cash from these shorts allow us to invest slightly more in the most attractive relative stocks. Australian names overall contributed +0.75% to performance.

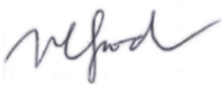
The largest single positive was the long-standing overweight in Investore Property (IPL, + 21.2%) which continues to benefit from perceived certainty regarding future rental levels from their predominantly supermarket assets and from their lease duration being far in excess of their debt duration. This makes them a major winner from falling interest rates. These same factors drove one of the strongest detractors which was our underweight in Vital Healthcare Property (VHP, +19.9%), whose strength surprised us somewhat given their relatively high gearing and their tenants not being entirely immune to Covid-19 shutdowns. The impact of plunging bond yields more than offset this.

Other notable positives were led by Centuria Capital (CNI, +24.9%) whose partially scrip-based takeover of Augusta in NZ added to a pre-existing holding. We view it as cheap relative to its major peer, Charter Hall but we did lighten into the strength.

The other stand-out was the holding in the elderly rental accommodation owner, Eureka Group (EGH, +21.7%). EGH has now largely cleaned out issues left by former management and is poised for solid growth as it redeploys capital at extraordinary cap rates of circa 10%. While their assets are largely provincial, a shortage of rental accommodation is seeing high occupancy and the income streams are government funded. Their result showed them to be very much on track.

Headwinds came from underweights in the increasingly stretched NZ market which were used to fund our Australian foray. They were led by the aforementioned Vital Healthcare Property and Property For Industry (PFI, +15.1%) which continues to surge to trade on a greater than 30% premium to NTA, despite this NTA retracing slightly as industrial rental levels saw incentives start to lift.

At quarter-end, the Fund was running relatively low levels of risk, with gross exposure of a low 105% and net length of 97%.



Matthew Goodson, CFA