Salt Enhanced Property Fund Fact Sheet – May 2022

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 30 May 2022

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$28 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 May 2022

Application	1.6375
Redemption	1.6309

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 May 2022

Long Exposure	104.23%
Short Exposure	7.22%
Gross Equity Exposure	110.40%
Net Equity Exposure	98.05%

Fund Allocation at 30 May 2022

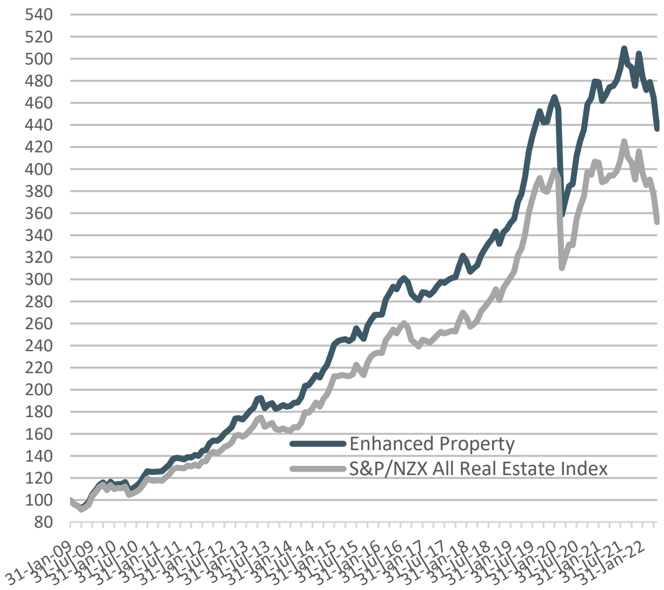
NZ Listed Property Shares	91.60%
AU Listed Property Shares	7.34%
Cash	1.06%

Fund Performance to 30 May 2022

Period	Fund Return	Benchmark Return
1 month	-6.05%	-6.55%
3 months	-7.45%	-8.71%
6 months	-8.20%	-9.87%
1-year p.a.	-8.19%	-10.17%
2 years p.a.	6.51%	3.35%
3 years p.a.	3.60%	1.30%
5 years p.a.	8.26%	7.27%
7 years p.a.	8.67%	7.60%
Inception p.a.	9.66%	8.47%

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

Cumulative Fund Performance to 30 May 2022*



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 November 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
Abacus Property Group	Goodman Property Trust
REP Essential Property	Winton Land
360 Capital REIT	Charter Hall Long WALE REIT

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index declined by a steep -6.55% in the month of May, underperforming the -4.85% descent by the broader equity market. In contrast to recent times,10-year bond yields weren't the culprit as they declined slightly from 3.64% to 3.59%. As expected, the RBNZ again lifted its OCR target late in the month by 0.5% to 2.0% and their forward signalling was perhaps more hawkish than expected regarding further increases.

Offshore property markets were very weak, with the S&P/ASX200 A-REIT Accumulation Index declining by -8.73% and the global FTSE EPRA/NAREIT Index fell by -5.67%. Fears of the impact of potential recessions on rents and vacancy levels may have been the underpinning driver.

Sector news was led by a reporting season that held no major terrors and featured what will likely be the last round of valuation uplifts from falling cap rates. Valuers tend to await market evidence and move with a lag. Slight disappointments came from Investore (IPL) with higher maintenance capex and Kiwi Property (KPG), with seismic issues becoming apparent at Lynn Mall and Palmerston North. Their residential build to rent plans are synergistic with Sylvia Park but carry considerable cyclical risk. Property For Industry (PFI) announced an on-market buyback due to their NTA being well above market at $3.03 although this clearly carries some downside risks as cap rates expand.

Not a single stock in the index rose during the month, with outperformers being NZ Land (NZL, -2.5%) and Kiwi Property (KPG, -2.8%). The weakest return came from Stride Property (SPG, -12.6%) where the future post the failed spin-out of Fabric Office is yet to become apparent. Asset Plus (APL, -10.3%) reversed its April strength and Property For Industry (PFI, -7.9%) also lagged.

Salt Enhanced Property Fund Commentary

The Fund outperformed solidly in the month of May, declining by -6.05% compared to the -6.55% turned in by the S&P/NZX All Real Estate Gross Index. This was particularly pleasing given that a net 8% of the Fund was invested in Australia and that market fell even harder than NZ.

Our small group of Australian shorts contributed a very strong 0.61% to returns during the month although they were slightly outweighed by our larger group of longs in that market, meaning that our Australian exposures detracted 0.04% - a decent result in such a negative market.

Unsurprisingly in a major down month, the largest contributors came from our key underweights. These were led by not owning the recently listed Winton Property (WIN, -14.1%), the land developer whose major premium to NTA is at odds with a rapidly slowing residential market. Other contributors were Goodman Property (GMT, -4.8%), Property For Industry (PFI, -7.7%) and Vital Healthcare Property (VHP, -6.8%). Our short in Arena REIT (ARF, -11.1%) also worked well.

Conversely, headwinds came from our overweights. The largest was the previously strongly performing GDI Property (GDI, -7.1%), where we retain strong conviction due to its large discount to a conservative NTA, potential upside from its managed syndicates and our view that the gloom in the Perth office market may turn due to resources sector strength and a resumption of population growth. Other headwinds were small overweights in Asset Plus (APL, -10.3%) and Abacus Property (ABP, -10.9%).

Matthew Goodson, CFA