Salt Enhanced Property Fund Fact Sheet – May 2024

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 May 2024

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

Unit Price at 31 May 2024

Application	1.3562
Redemption	1.3507

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 May 2024

Long Exposure	105.89%
Short Exposure	7.20%
Gross Equity Exposure	113.09%
Net Equity Exposure	98.69%

Fund Allocation at 31 May 2024

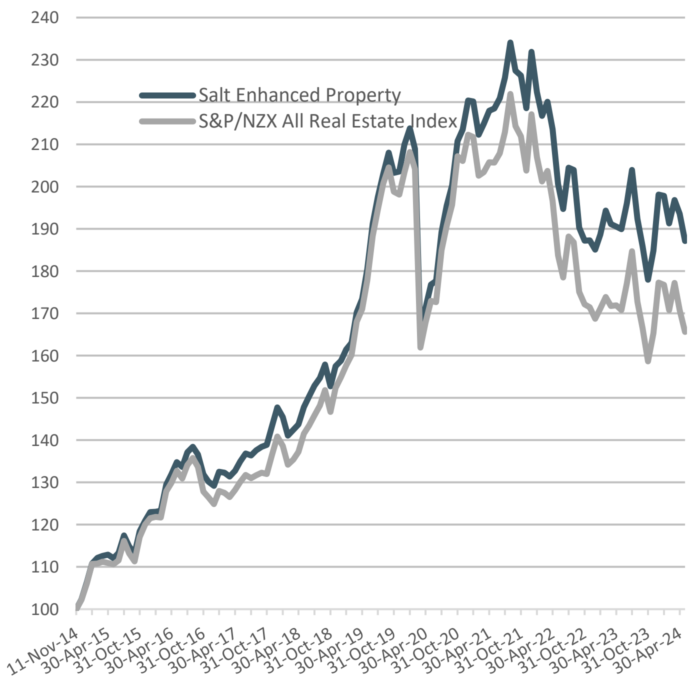
NZ Listed Property Shares	92.01%
AU Listed Property Shares	6.77%
Cash & Cash Equivalents	1.22%

Fund Performance to 31 May 2024

Period	Fund Return	Benchmark Return
1 month	-3.34%	-3.00%
3 months	-2.19%	-2.06%
6 months	1.21%	1.18%
1 year	-1.49%	-1.71%
2 years p.a.	-4.10%	-4.40%
3 years p.a.	-5.48%	-6.37%
5 years p.a.	0.45%	-1.02%
7 years p.a.	4.57%	3.80%
Inception p.a.	6.62%	5.63%

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

Cumulative Strategy Performance to 31 May 2024



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	Kiwi Property Group
Asset Plus	Precinct Properties NZ
Elanor Commercial Property Fund	Property For Industry
Servcorp	Goodman Property Trust
Vital Healthcare Property Trust	Scentre Group

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
Email: info@saltfunds.co.nz | www.saltfunds.co.nz

Property Market Commentary

It was another roller-coaster month for the S&P/NZX All Real Estate Gross Index as the market continually reassessed the opposing views of whether we have hit peak rates and therefore property is at a bottom or if further rises are required. Consensus has not been reached and our local index had another tough month declining -3.0% despite a strong (potentially index-driven) rally on the last day of the month. Ultimately yields on a NZ 10-year bond changed little over the month and sat at 4.82% by month-end.

Our broader market and offshore comparables fared better with the NZX50 Gross Index down -0.8% and both Australian and international real estate stocks posting gains. The FTSE EPRA/NAREIT Index rose +0.7% and the Australian S&P/ASX200 A-REIT Accumulation Index went up +1.9%.

Amongst the local REITs, three stocks fared well relatively in a tough month – Stride (SPG, +2.4%) Kiwi Property (KPG, +1.2%) and Precinct (PCT, +1.0%) posting positive returns with the rest of the index falling heavily. Investore (IPL, -9.8%) and Vital Healthcare (VHP, -12.1%) were the weakest reflecting steady declines rather than any particular event or news flow.

With much of the REIT index posting results or quarterly updates this month, we had a lot of content to digest but little in the way of news. As expected rental growth has slowed (although still above long-term trends) and there are pockets of vacancy in portfolios as tenant moves take longer to backfill. As we noted last month – opportunities are beginning to appear in the market, and while nothing explicit was announced some REITs, e.g. SPG, noted this in their outlooks.

One event of note was KPG confirming they have agreed to terms for the sale of Vero for $458 million – this is a good outcome for KPG at a 2% discount to the most recent book value, however, the offer is still conditional on OIO approval.

On the development side – both Property For Industry (PFI, -4.4%) and Goodman Property (GMT, -4.0%) provided updates on developments that indicate yields on cost will be at or around 5% compared to cap rates that are now well beyond this level.

Salt Enhanced Property Fund Commentary

It was a frustrating month for performance with the fund underperforming our NZ benchmark by 36 basis points to decline by -3.34%. The bulk of this underperformance came from our position in Asset Plus (APL, -11.1%) which as discussed in other months is in wind-down mode. APL reported this month and confirmed their financial position and we believe it is worth materially more than the 20 cps people have been selling at the past month.

The best relative performance this month came from our underweight positions in the NZ industrial REITs, GMT and PFI, which combined added 30 basis points of performance.

On the short side, with a more subdued Australian market this month there was little performance impact – with the total being -8 bps.

At the time of writing, we estimate that the Fund offers a year-ahead gross dividend yield of 7.3% to a New Zealand investor.

Nicholas Falconer, MBA