Salt Enhanced Property Fund Fact Sheet – February 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 28 February 2022

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$30.2 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 28 February 2022

Application	1.8037
Redemption	1.7964

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 2022

Long Exposure	101.04%
Short Exposure	4.24%
Gross Equity Exposure	105.28%
Net Equity Exposure	96.80%

Fund Allocation at 28 February 2022

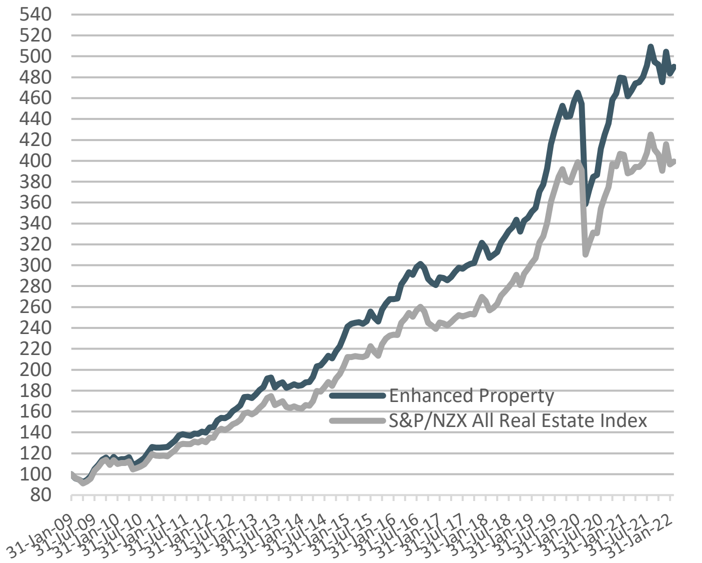
NZ Listed Property Shares	90.07%
AU Listed Property Shares	7.68%
Cash	2.25%

Fund Performance to 28 February 2022

Period	Fund Return	Benchmark Return
1 month	-2.50%	-2.80%
3 months	-0.81%	-1.27%
6 months	-7.40%	-8.86%
1-year p.a.	2.13%	-0.09%
2 years p.a.	1.85%	-0.44%
3 years p.a.	9.95%	8.11%
5 years p.a.	10.38%	9.68%
7 years p.a.	9.87%	8.99%
Inception p.a.	11.31%	10.25%

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

Cumulative Fund Performance to 28 February 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	Goodman Property Trust
Elanor Commercial Property Fund	Arena REIT No 1
Stride Property Group	Precinct Properties NZ
360 Capital REIT	Property For Industry
REP Essential Property	Vital Healthcare Property Trust

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

Monthly Property Market Commentary

The S&P/NZX All Real Estate Gross Index declined by -2.80% in the month of February against a mixed backdrop as the RBNZ lifted its OCR target by 0.25% to 1.0% and signalled numerous further raises. Russia's invasion of Ukraine added to a generalised mood of risk aversion.

NZ's negative return made sense in the context of the NZ 10-year bond yield continuing its recent trend of increasing, this time moving from 2.60% to 2.77% over the month. The S&P/ASX200 A-REIT Accumulation Index had a tepid bounce from its recent sharp weakness, rising by +1.42%, while the FTSE EPRA/NAREIT Index fell by -2.61%.

Sector news was limited but evidence of the impact of rising funding costs started to come through. Investore issued a 5-year bond at a 4% interest rate, whereas in August 2020, they issued 7-year debt at just 2.4%. Similarly, Goodman Property had to pay 3.66% for 6-year money. The era of breaking swaps to support reported earnings is over. Syndicators and property fund managers such as Charter Hall have had a wonderful few years as funding costs fell but the wind direction has changed.

Performance in the month saw all the main names decline, with the best performers being Precinct Property (PCT, -0.6%) and Vital Healthcare Property (VHP, -1.0%) ahead of its expected inclusion in the FTSE-EPRA NAREIT Index which was confirmed after month-end. Key laggards were Argosy Property (ARG, -7.7%) and Kiwi Income Property (KPG -4.8%).

Salt Enhanced Property Fund Commentary

The Fund again delivered moderate outperformance during the month, declining by -2.50% compared to the -2.80% turned in by the S&P/NZX All Real Estate Gross Index.

There was a slight tailwind from the outperformance by Australia and the 8% net weighting of the Fund in that market. Our shorts were a wash in the month, neither helping nor hurting performance, while our overall Australian positions added 0.12% to returns.

The largest contributors in a negative month were again some of our larger NZ underweights, with highlights including Goodman Property (GMT, -2.8%) and Argosy Property (ARG, -7.7%).

A highlight from the overweight side was our position in 360 Capital REIT (TOT, +8.7%) which in January had leveraged its position in Irongate Group to achieve a break-up of that entity with very satisfactory outcomes for TOT. The other more modest highlight was the large position we are building in GDI Property (GDI, +1.5%). After many years of malaise, we could not be more positive on the Perth office outlook, in stark contrast to many other markets. GDI is at a 20% discount to a conservative NTA and has further upside from the syndicates that it manages.

There were several small headwinds but they were all immaterial and relatively random in nature. Peet Limited (PPC, -5.3%) and Asset Plus (APL, -3.4%) were the largest of these. Our short in the ultra-expensive Arena REIT (ARF, +5.1%) was also a mild detractor.

Matthew Goodson, CFA