

# SALT

## Salt Enhanced Property Fund Fact Sheet – April 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 30 April 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 30 April 2024

Application	1.4419
Redemption	1.436

### 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 30 April 2024

Long Exposure	105.50%
Short Exposure	6.45%
Gross Equity Exposure	111.95%
Net Equity Exposure	99.05%

### Fund Allocation at 30 April 2024

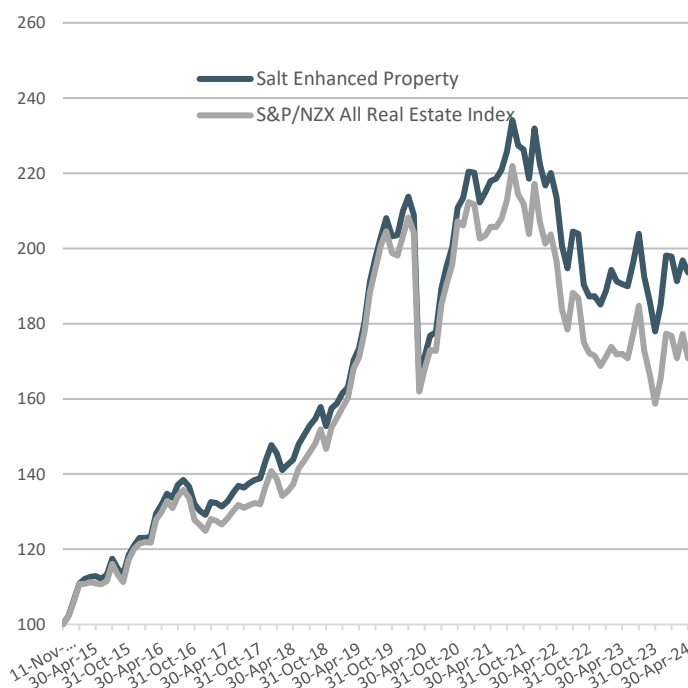
NZ Listed Property Shares	91.04%
AU Listed Property Shares	8.04%
Cash & Cash Equivalents	0.92%

### Fund Performance to 30 April 2024

Period	Fund Return	Benchmark Return
1 month	-1.66%	-2.70%
3 months	-2.14%	-2.45%
6 months	8.79%	8.67%
1 year	1.61%	0.65%
2 years p.a.	-5.45%	-6.17%
3 years p.a.	-4.33%	-5.42%
5 years p.a.	1.93%	0.35%
7 years p.a.	5.32%	4.47%
Inception p.a.	7.07%	6.03%

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

### Cumulative Strategy Performance to 30 April 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	Precinct Properties NZ
Asset Plus	Property For Industry
Elanor Commercial Property Fund	Goodman Property Trust
Servcorp	Kiwi Property Group
Elanor Investors Group	Stockland Corporation

SALT FUNDS MANAGEMENT

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## Property Market Commentary

The S&P/NZX All Real Estate Gross Index had a tough month declining -2.7% with declines across the broader market as well with the NZX50 Gross Index down -1.2%. Offshore, both Australian and international real estate stocks fell significantly. The FTSE EPRA/NAREIT Index declined -6.2% and the Australian S&P/ASX200 A-REIT Accumulation Index gave up much of the strength in March to be -7.8% for April. The overall negative performance can be mainly attributed to extensive market and media discussion on the ongoing high levels of inflation, deferral of rate cuts, and even potential for rate rises in Australia and the US. This was reflected in NZ with the Reserve Bank continuing to hold rates at 5.5% with yields on a NZ 10-year bond lifting over 30 basis points to around 4.9% at month-end.

Over the month Goodman (GMT, +0.0%) and Argosy (ARG, +0.0%) relatively outperformed by closing flat in a weak market. The bottom performers were Property For Industry (PFI, -5.3%) and Stride (SPG, -7.4%).

April was a quiet month for the sector, with the only news being pre-result valuation updates for two of the REITs. Kiwi Property (KPG, -3.6%) informed the market that valuations were practically unchanged – implying they see it as material that valuations did not change. Meanwhile, ARG announced a -5.4% decline in valuations with cap rates widening a further 37 basis points to 6.2% with similar declines across all three of its sectors.

May will see most of the NZ REIT market providing results and we expect these to show slowing but still positive rental growth and interest expenses more stable (but still elevated on recent history). It would be positive to hear discussion about opportunities beginning to arise in the market for listed players.

## Salt Enhanced Property Fund Commentary

In a pleasing performance during a tough month for the market the fund significantly outperformed our NZ benchmark by 105 basis points. The return to investors over April was -1.66%.

In a flip of last month, much of the fund's outperformance was attributable to our short positions in 4-6 Australian stocks which declined on average -6.7% and added 66 bps of performance.

We saw good outperformance come from our underweight in PFI and the best positive performer again was the Australian-based global share office provider Servcorp (SRV, +8.5%).

Very few stocks had a negative contribution, GDI Property (GDI, -2.4%) fell slightly which given its large off-benchmark position impacted by 13 basis points. A similar drag was felt by the combined impact of five other Australian overweights – which declined on average around -1.5% far outperforming our shorts.

At time of writing, we estimate that the Fund offers a year-ahead gross dividend yield of 7.2% to a NZ investor.



Nicholas Falconer, MBA