Salt Enhanced Property Fund Fact Sheet – June 2023

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 June 2023

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$24 million
Inception Date	11 December 2014
Portfolio Managers	Matthew Goodson, CFA Nicholas Falconer, MBA

Unit Price at 30 June 2023

Application	1.4983
Redemption	1.4923

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 June 2023

Long Exposure	102.82%
Short Exposure	4.89%
Gross Equity Exposure	107.71%
Net Equity Exposure	97.93%

Fund Allocation at 30 June 2023

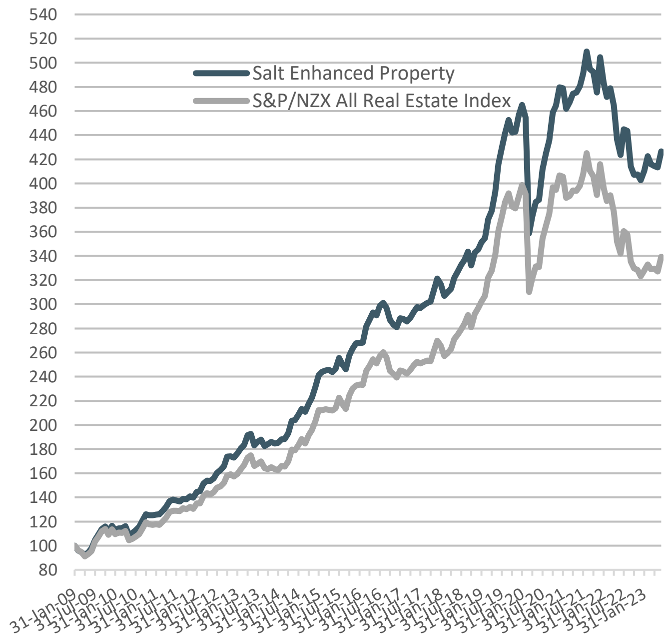
NZ Listed Property Shares	90.20%
AU Listed Property Shares	7.72%
Cash & cash equivalents	2.08%

Fund Performance to 30 June 2023

Period	Fund Return	Benchmark Return
1 month	3.22%	3.70%
3 months	2.57%	3.11%
6 months	4.47%	4.98%
1-year p.a.	-0.69%	-0.76%
2 years p.a.	-6.45%	-7.42%
3 years p.a.	2.86%	1.05%
5 years p.a.	5.16%	4.43%
7 years p.a.	5.41%	4.50%
Inception p.a.	7.94%	6.91%

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

Cumulative Strategy Performance to 30 June 2023*



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 April 2009 to 31 December 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights	Top Underweights/Shorts
GDI Property Group	Precinct Properties NZ
Asset Plus	Goodman Property Trust
Elanor Commercial Property Fund	Vital Healthcare Property Trust
Argosy	Property For Industry
HealthCo Healthcare & Wellness REIT	Stockland Corporation

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index rose by +3.0% in the June quarter, despite the NZ 10-year bond yield moving up slightly to 4.60% from 4.20% (although with some volatility over the quarter). This solid performance meant NZ REITs performed in line with the local NZX50 Gross Index (up +3.0%), slightly behind the S&P/ASX200 A-REIT Accumulation Index (up +3.4%), but well-ahead of the global FTSE EPRA/NAREIT Index which gained +0.3% in the quarter.

Over the quarter, we saw further negative revaluations of REIT portfolios where rental growth is failing to offset higher cap rates. In April, Stride (SPG) reported a -3.4% devaluation over their financial year, while the diversified Argosy Property (ARG) saw declines in industrial -4.2%, office -8.9% and large format retail -8.2%. Vital Healthcare Property (VHP) saw a 34-basis point increase in cap rates drive a $160m decrease in the portfolio value (in the second half alone). This was broadly in line with our expectations, but the release did not provide any updates on the more critical question of how their asset sale programme is progressing – we will likely have to wait to their full year result on 10 August. Since quarter end Precinct (PCT) have continued this theme with a -7.1% devaluation.

These lower valuations (and increasing interest rates) have prompted most REITs to undertake asset sale programmes in order to lower gearing and interest expenses. While sales have typically been at lower prices than the most recent valuation, the discounts have been less than those reflected in their share prices relative to NTA, so net positive in the short-term at least.

Winton (WIN) held a well-attended investor day in Auckland in June. While Winton's development capability is clearly well-established, we are pleased to have avoided the over-priced IPO and continue to watch their performance from the sidelines. During the quarter, Precinct moved to a stapled structure to support its ongoing development and funds management strategy.

A number of REITs (those with 31-March year ends) held AGMs in June. There were no notable resolutions, and pleasingly some of the new Board directors look to have the potential to drive better governance at a couple of the REITs. Guidance was maintained by all of them and forward commentary said very little different to at their full year results.

From an engagement perspective we recently met with the Chair of Stride (SPG) who is also a Director of Investore (IPL), as well as the CEO and CFO of Goodman (GMT). Both meetings were constructive, open discussions about their respective sectors and strategic priorities. We focused on a couple of important governance issues – namely their expected near term investment plans and Board – Management relations.

Returns across the index were mostly positive, with only NZ Rural Land (NZL, -9.3%) and Winton (WIN, -5.0%) declining. The best performances came from Stride (SPG, +8.5%) and Asset Plus (APL, +6.0%), with other stocks returning around 1-3% over the quarter.

Salt Enhanced Property Fund Commentary

It was a relatively solid quarter for the Fund (delivering +2.57%), however we underperformed the S&P/NZX All Real Estate Gross Index which returned 3.70%.

This underperformance was almost wholly driven by NZ stocks, with our Australian holdings (both long and short) having a neutral effect on Fund performance (although an opportunity cost given Australia's relative outperformance over the period). Our Australian shorts added +0.2%, however our longs defied the market's relative strength in the quarter and offset those positive returns.

Our best performance in the quarter came from our large position in Asset Plus (APL, +6.0%) which continues to pursue its wind-up / cash realisation strategy. Short positions in National Storage (NSR, -4.2%) and Centuria Capital (CNI, +13.8%) – the latter initiated post a +15% run-up at the start of this quarter – performed well. We realised a good return from a long position in HMC Capital (HMC, +40.9%) that we exited in May.

The main detractors over the quarter were our large position in Perth-office REIT GDI Property (GDI, -6.9%), our holding in NZ Rural Land (NZL, -9.3%), and our underweight in Goodman Property (GMT, +3.6%). At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.6% to a NZ investor.

Nicholas Falconer, MBA