Salt Enhanced Property Fund Fact Sheet – November 2018

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in managing NZ/Australian equity and listed property mandates for wholesale and retail clients.

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 November 2018

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$6.6 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA
Associate PM/Analyst	Andrew Bolland, CFA

Unit Price at 30 November 2018

Application	1.4488
Redemption	1.4429

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 November 2018

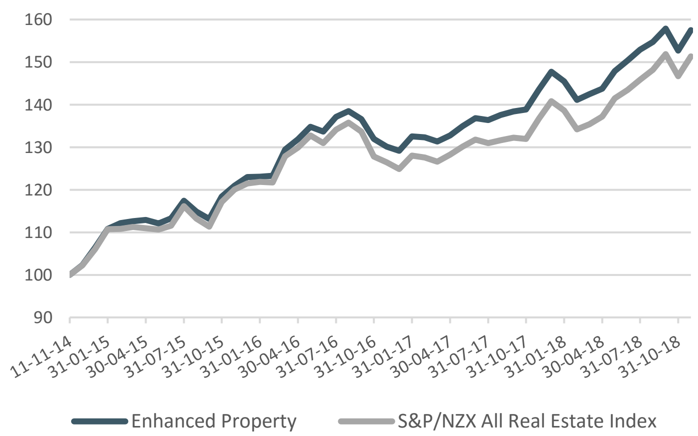
Long Exposure	101.79%
Short Exposure	9.36%
Gross Equity Exposure	111.15%
Net Equity Exposure	92.43%

Fund Performance to 30 November 2018

Period	Fund Return	Benchmark Return
1 month	3.13%	3.85%
3 months	1.81%	2.82%
6 months	6.52%	7.65%
1 year p.a.	9.75%	11.45%
2 years p.a.	10.00%	9.77%
3 years p.a.	9.19%	8.26%
Inception p.a.	11.86%	10.94%

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

Cumulative Fund Performance to 30 November 2018



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.

Fund Allocation at 30 November 2018

NZ Listed Property Shares	87.78%
AU Listed Property Shares	4.96%
Cash	7.26%

Top Overweights	Top Underweights/Shorts
Centuria Metropolitan REIT	Property for Industry
Unibail-Rodamco-Westfield/CDI	Goodman Property Trust
Investore Property	Precinct Properties
Asset Plus	Argosy Property Trust
Garda Capital Group	BWP Trust (Short)

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Monthly Property Market Commentary

Summary

- The Fund rose +3.13% after all fees and expenses for the month.
- The S&P/NZX All Real Estate Gross Index retraced its October declines to rise by +3.85% in November as investors sought defensiveness in a suddenly volatile world.
- Positive offsets surprisingly came from the tepid Australian market, with our large Centuria Metropolitan REIT (CMA, +1.3%) position bouncing a touch from its undue weakness following an equity raising in October.

The S&P/NZX All Real Estate Gross Index retraced its October declines to rise by +3.85% in November as investors sought defensiveness in a suddenly volatile world. NZ 10-year bond yields actually rose a touch from 2.54% to 2.59% having earlier hit an unhelpful intra-month high of 2.78%. Corporate spreads globally came under pressure and while Kiwi Property completed a $100m seven-year bond issue at an attractive spread of 145bp, they may have picked the bottom. The global FTSE EPRA/NAREIT index rose by 2.80% while the Australian benchmark stood out with its -0.44% decline.

Seven of the listed vehicles reported during what was a busy month. Overall impressions were that occupancy remains extremely strong in the 99% region, rental growth is a little mixed with industrial outpacing flat office and retail, interest costs remain very low with some companies breaking expensive swaps and cap rates continue to contract under offshore investor pressure.

Argosy Property (ARG, +8.4%) was the stellar outperformer during the month following its result which while solid was not unambiguously positive. Kiwi Property (KPG, +5.3%) shook off investor aversion to its retail exposure and Goodman Property (GMT, +4.7%) also saw strong interest. Asset Plus (APL, -2.5%), Stride Property (SPG, -1.1%) and Investore (IPL, +0.0%) were the main laggards in a month which saw greater dispersion than normal.

Monthly Fund Commentary

The Fund lagged its benchmark in November, rising by +3.13% after all fees and taxes compared to the +3.85% turned in by the Index.

Contributors

Positive offsets surprisingly came from the tepid Australian market, with our large Centuria Metropolitan REIT (CMA, +1.3%) position bouncing a touch from its undue weakness following an equity raising in October. Smaller holdings in Garda Capital (GCM, +6.9%), Garda Property (GDF, +4%) and Ingenia Group (INA, +6.3%) also did well. INA rose following the purchase by the US giant, Sun Communities of a strategic 10% block in a placement at $3.217 compared to INA's closing price for the month of $3.06. We sold into strength because while settlements remain robust for now, we do hold some concerns that they may slow under pressure from the extreme weakness in Australian residential property.

Our Australian shorts collectively added 0.06% which is about what one would expect in a modest down-month for that market. The stand-out was our long-standing Ale Property Trust (LEP, -5.6%) position which had screened for many months as being significantly over-priced on our relative modelling.

Detractors

A key headwind was the Fund's typical average net position of circa 7% in Australia. With that market trailing NZ by an unusual 4.3%, a headwind of nearly 0.30% accounted for around half of the Fund's lag. The Fund's average overall net position of around 92% (rather than 100%) in a strong up-month accounted for a good portion of the balance.

At a single stock level, the key problem-child was again the holding that we have been buying in the premium global shopping mall operator, Unibail-Rodamco-Westfield (URW, -7.1%). URW stands out as being remarkably undervalued in our relative property valuation model and we estimate it offers a gross PIE yield to a NZ investor of 9.2% with solid growth as developments mature.

An analysis of the US Thanksgiving weekend by ICSC Research found that 60% of adults — or 151.2m people — visited a mall, with 95.8m adults doing so on Thanksgiving Day itself, up from 91m last year. 71% of shoppers spent in a store, while 42% spent online from physical retailers. Roughly 27% used click-and-collect, by which they paid for products online and picked them up in a store. Of these click-and-collect shoppers, 64% made additional purchases in the store, an adjacent establishment or another unit in the same mall when they went to pick up the merchandise they ordered online. Premium retail is far from dead and we model URW as offering greater relative value than we have seen in many quarters.

Other major drags came from mid-sized underweights in the outperforming Argosy Property (ARG, +8.4%) and Goodman Property (GMT, +4.7%).

Market strength saw the Fund lower its net positioning from 96.2% to 92.4% over the month. The gross exposure fell slightly from 114% to 111%. We used temporary weakness to cover a part of our Goodman Property underweight and to move Stride Property up to neutral. We added a small new holding in Millennium & Copthorne (MCK) ordinary shares which trade at a very large discount to the NTA of their hotel and land assets. We lightened Garda Property and Centuria Metro into strength and continued to buy Unibail on the back-foot. We lifted our short in Dexus and exited positions in Hotel Property Investments, Ingenia, Shopping Centres Australia and Stockland.