

SALT

Salt Enhanced Property Fund Fact Sheet – July 2021

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 July 2021

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$18.3 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 July 2021

Application	1.9021
Redemption	1.8944

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 July 2021

Long Exposure	100.32%
Short Exposure	7.27%
Gross Equity Exposure	107.59%
Net Equity Exposure	93.06%

Fund Allocation at 31 July 2021

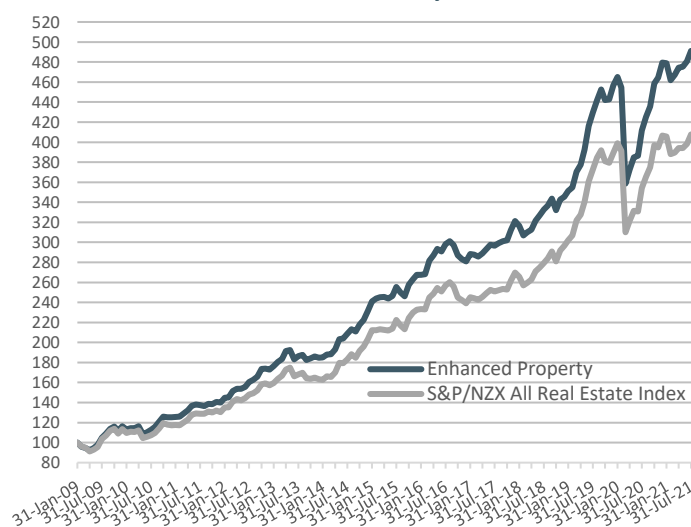
NZ Listed Property Shares	91.28%
AU Listed Property Shares	7.01%
Cash	1.71%

Fund Performance to 31 July 2021

Period	Fund Return	Benchmark Return
1 month	2.19%	2.39%
3 months	3.58%	3.44%
6 months	2.56%	0.52%
1-year p.a.	19.31%	15.08%
2 years p.a.	6.92%	4.59%
3 years p.a.	13.86%	13.43%
5 years p.a.	10.48%	9.68%
Inception p.a.	12.89%	11.90%

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

Cumulative Fund Performance to 31 July 2021*



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 October 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights	Top Underweights/Shorts
Elanor Commercial Property Fund	Goodman Property Trust
GDI Property Group	Stride Property Group
Garda Diversified Property Fund	Vital Healthcare Property Trust
Irongate Group	Arena REIT No 1
Vitalharvest Freehold Trust	Argosy

SALT FUNDS MANAGEMENT

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Monthly Property Market Commentary

The S&P/NZX All Real Estate Gross Index advanced by +2.39% in the month of July. This outperformed the meagre +0.28% move by the S&P/ASX200 A-REIT Accumulation Index and the +1.88% turned in by the global FTSE EPRA/NAREIT Index.

The sector movement was supported by NZ 10-year bond yields following a global lead and rallying from 1.77% to 1.51. This occurred despite alarming evidence of inflation's re-emergence continuing to build, with a March quarter CPI reading +1.3%, which featured price pressures across the board. Timely business survey evidence suggests that such pressures are if anything, getting worse. We focus on 3-year swap as a key funding benchmark for property investors and this rose from 1.00% to 1.21% in the month and is 1.37% as this is being written. For now, property investors are continuing to push cap rates ever tighter but this must soon reach a limit when the core funding rate is rising.

The sector's performance also had some passive underpinnings. It was announced that the key global benchmark of the FTSE-EPRA NAREIT index would lower its size criterion for entry. This will almost certainly see Argosy Property and probably Stride Property and Vital Healthcare Property enter later in the year. We do not believe Property For Industry has sufficient liquidity.

Performance in the month was led by Goodman Property (+5.6%) which benefitted from the parent, Goodman Group paying \$2.50 to lift its holding to 24.8%. Argosy Property (ARG, +4.5%) and Stride Property (SPG, +3.8%) rose on index inclusion expectations. The most notable laggard was Kiwi Property (KPG, -3.6%).

Salt Enhanced Property Fund Commentary

The Fund fractionally lagged its benchmark in the month, returning +2.19% compared to the +2.39% advance turned in by the S&P/NZX All Real Estate Gross Index.

After being a tailwind previously, the modest net weight of approximately 7% in the Australian market dragged on performance. The surprise decision to lower the admission threshold to the FTSE-EPRA NAREIT index had a far more positive relative impact on the NZ market.

The Fund's modest array of Australian shorts contributed a very minor +0.05% positive to returns. However, as always, they allowed us to hold more of our favoured longs and Australia overall contributed +0.17% despite that market lagging NZ.

There were no major tailwinds although the short in GPT Group (GPT, -4.7%) did well with the stock being sold on its exposure to shopping centres in the face of new lockdowns. Modest positive contributions came from longs in Home Daily Needs (HDN, +5.7%), Garda Property (GDF, +3.5%) and CDL Investments (CDI, +5.3%).

The largest negative by some distance was the underweight in Goodman Property (GMT, +5.6%) which rose on the parent, Goodman Group topping up its holding to close to the 25% limit. We note their statement that they have no current intention of acquiring additional securities.

Other drags came from the potential passive index inclusion beneficiaries Stride Property (SPG, +3.8%), Vital Healthcare Property (VHP, +2.4%) and a small underweight in Argosy Property (ARG, +4.5%).



Matthew Goodson, CFA