

SALT

Salt Enhanced Property Fund Fact Sheet – March 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 31 March 2023

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

Unit Price at 31 March 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 31 March 2023

Long Exposure	103.33%
Short Exposure	5.06%
Gross Equity Exposure	108.39%
Net Equity Exposure	98.26%

Fund Allocation at 31 March 2023

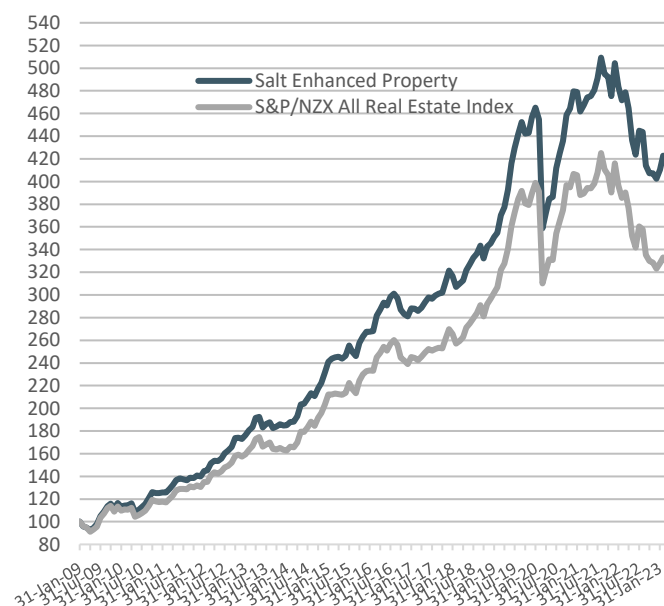
NZ Listed Property Shares	93.08%
AU Listed Property Shares	5.30%
Cash	1.62%

Fund Performance to 31 March 2023

Period	Fund Return	Benchmark Return
1 month	-1.62%	-1.19%
3 months	1.86%	1.81%
6 months	-0.96%	-1.87%
1-year p.a.	-14.35%	-15.68%
2 years p.a.	-6.34%	-7.83%
3 years p.a.	4.57%	2.20%
5 years p.a.	5.75%	5.00%
7 years p.a.	5.51%	4.39%
Inception p.a.	7.85%	6.74%

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

Cumulative Strategy Performance to 31 March 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 March 2009 to 31 December 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights

GDI Property Group
Asset Plus
Elanor Commercial Property Fund
Argosy
Millennium & Copthorne Hotels

Top Underweights/Shorts

Vital Healthcare Property Trust
Precinct Properties NZ
Property For Industry
Goodman Property Trust
Charter Hall Long WALE REIT

SALT FUNDS MANAGEMENT

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index advanced by +1.81% in the March quarter, the first positive outcome since the December 2021 quarter. Having lagged offshore peers for some time, NZ slightly outperformed the S&P/ASX200 A-REIT Accumulation Index return of +0.52% and the global FTSE EPRA/NAREIT Index (USD) return of +0.34%. Performance was modestly helped by NZ 10-year bond yields rallying from 4.48% to 4.20% despite the OCR target rising from 4.25% to 5.25% over the quarter.

News-flow was dominated by result season. There were no major shocks, with most interest lying in the extent of revaluation losses as cap rates began to expand, with a partial offset from inflation-driven rent growth. Announced valuation reductions included Goodman Property (GMT) by -4.7%, Investore (IPL) by -12% and Kiwi Property (KPG) by -4.1%. These came as no surprise, with most of the listed market already trading at reasonable discounts to NTA levels. NZ Rural Land (NZL, -0.9%) announced a \$38.5m equity raising to lower leverage following its earlier purchase of a forestry estate.

Performance in the quarter was led by Goodman Property (GMT, +6.8%) and Vital Healthcare Property (VHP, +5.3%). The small cap Asset Plus (APL, +11.1%) rose sharply as they placed their Mt Roskill mall on the market. Laggards were Stride Property (SPG, -6.1%) and Investore (IPL, -4.1%). Argosy Property (ARG, -3.2%) came under further pressure as it fell out of the MSCI Global Small Cap Index.

Salt Enhanced Property Fund Commentary

The Fund slightly outperformed the benchmark in the March quarter, returning +1.86% versus the +1.81% turned in by the S&P/NZX All Real Estate Gross Index.

A highlight was solid outperformance by our collection of Australian holdings despite that market being broadly unchanged. Our shorts added 0.37%, while our longs were flat. Key names here were shorts in Charter Hall (CHC, -8.2%), Charter Hall Long WALE Reit (CLW, -3.8%) and Homeco (HMC, -14.3%). Since quarter-end, we have reversed the latter position and flipped to a moderate long on what we considered an attractive equity raise to fund the purchase of a number of high-quality hospital properties. The main Australian laggard was our long in the high yielding Elanor Commercial Property (ECF, -4.3%), which fell despite a satisfactory result and solid leasing activity.

NZ performance was led by our small holding in the deep value hotel play, Millennium & Copthorne (MCK, +16.2%) doing well as tourism recovers. Our underweight in Investore (IPL, -4.5%) also worked well. We added to our previously modest holding in Asset Plus (APL, +11.1%), which rose as it became clear that they are taking actions to realise the considerable asset value that lies in the vehicle by placing their Mt Roskill mall on the market. Subsequent to quarter-end, they announced a conditional sale. This sale and a devaluation of the last remaining property at Munroe Lane has seen their NTA not unexpectedly decline from \$0.45 to \$0.40. It may leak a little further yet but the returns in a wind-up scenario versus the closing share price of \$0.25 look attractive.

Headwinds came from three underweights. Leading here was Vital Healthcare Property (VHP, +5.3%), followed by Goodman Property (GMT, +6.8%) and a bounce in the hitherto poorly performing land developer, Winton (WIN, +21.7%).

At quarter-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.4% to a NZ investor.



Matthew Goodson, CFA