

SALT

Salt Enhanced Property Fund Fact Sheet – May 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 May 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 May 2023

Application	1.4956
Redemption	1.4896

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 May 2023

Long Exposure	105.38%
Short Exposure	5.93%
Gross Equity Exposure	111.32%
Net Equity Exposure	99.45%

Fund Allocation at 31 May 2023

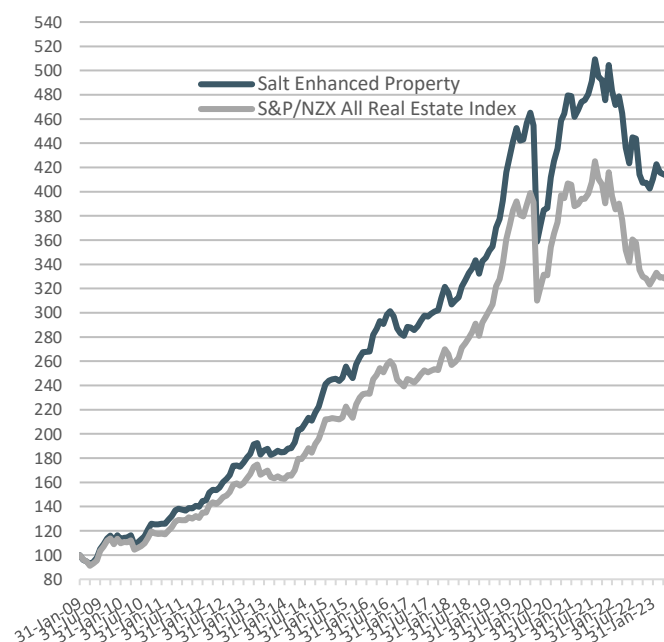
NZ Listed Property Shares	93.50%
AU Listed Property Shares	6.08%
Cash & cash equivalents	0.42%

Fund Performance to 31 May 2023

Period	Fund Return	Benchmark Return
1 month	-0.30%	-0.66%
3 months	-2.24%	-1.75%
6 months	0.02%	-0.36%
1-year p.a.	-6.64%	-7.02%
2 years p.a.	-7.42%	-8.61%
3 years p.a.	1.93%	-0.23%
5 years p.a.	4.84%	3.96%
7 years p.a.	4.81%	3.75%
Inception p.a.	7.61%	6.53%

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

Cumulative Strategy Performance to 31 May 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

GDI Property Group
Asset Plus
Elanor Commercial Property Fund
HealthCo Healthcare & Wellness REIT
Argosy

Top Underweights/Shorts

Precinct Properties NZ
Goodman Property Trust
Vital Healthcare Property Trust
Property For Industry
Stockland Corporation

SALT FUNDS MANAGEMENT

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index declined by -0.66% in May, with the NZ 10-year bond yield rising to 4.30% from 4.08%, broadly offsetting last month's decline. Although declining, NZ outperformed our normal peers with the NZX50Gross Index down -1.7%, S&P/ASX200 A-REIT Accumulation Index declining -1.8% and the global FTSE EPRA/NAREIT Index falling -3.4%.

It was a busy month for NZ REIT reporting, with six companies reporting full year results. There were no surprises and results confirmed the themes we have been monitoring – namely higher interest expenses being offset by strong rental growth (except for Investore (IPL) who are well hedged but enjoy little rental growth off long-term supermarket leases) and further asset sales reducing debt levels. While asset sales are a lever to reduce interest expenses, we are wary of those REITs selling high-yielding assets to fund lower returning developments.

Precinct (PCT) held a special meeting to vote on moving to a stapled structure which was approved by 99.9% of shareholders. This is a sensible move to support its ongoing development and funds management strategy. Goodman (GPT) announced the retirement of their long-serving Chair and his replacement by the non-independent former CEO and Goodman Group representative John Dakin – we will discuss this with GPT's CEO at a meeting this month.

Performance across the property market was notably varied, although most of the large funds underperformed the Index. The top performers were Asset Plus (APL, 6.1%) and Stride (SPG, 5.4%) with Winton (WIN, -7.5%) the worst.

Finally, we are delighted to announce that after being the sector analyst for two years, Nicholas Falconer has been appointed co-Manager of the Fund.

Salt Enhanced Property Fund Commentary

The Fund outperformed the S&P/NZX All Real Estate Gross Index by a pleasing +0.36% although returns were still slightly negative, returning -0.30% for the month of May.

Our collection of Australian holdings contributed +0.20% to the Fund, which was a solid outcome given that we are net long Australia and that market fell by -1.8%. Our shorts added +0.14%, while our longs defied the market weakness to add +0.06%.

Highlights in Australia were led by a short in Stockland (SGP, -4.3%) which we judged had run far too hard on prior optimism regarding the residential outlook. These hopes began to be dashed by RBA rate hikes. From the long side, a standout was our relatively new holding in Healthco Healthcare & Wellness REIT (HCW, +4.4%). Over the month we exited our position in HCW's manager, HMC Capital (HMC, +12.2%) which had generated a good return over the past two months.

NZ positives were led by our continued position in Asset Plus (APL, +6.1%) and we still believe there are material gains ahead as it sells down its assets and likely winds itself up. Underweights in Precinct (PCT, -1.5%), Vital Healthcare Property (VHP, -1.7%) and Goodman Property (GMT, -1.3%) also helped a little.

The detractors this month came from our large position in the Perth-office REIT, GDI Property (GDI, -1.4%) and an underweight in Property For Industry (PFI, +1.5%) that performed well over the month.

At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.6% to a NZ investor.



Matthew Goodson, CFA