Salt Enhanced Property Fund Fact Sheet – November 2022

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 November 2022

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$26 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 November 2022

Application	1.4887
Redemption	1.4826

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 2022

Long Exposure	102.12%
Short Exposure	7.19%
Gross Equity Exposure	108.27%
Net Equity Exposure	95.96%

Fund Allocation at 30 November 2022

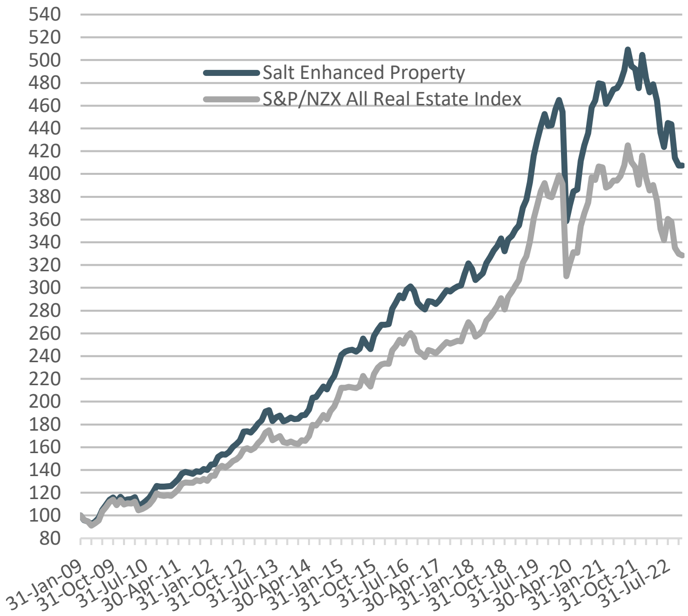
NZ Listed Property Shares	93.17%
AU Listed Property Shares	4.21%
Cash	2.62%

Fund Performance to 30 November 2022

Period	Fund Return	Benchmark Return
1 month	0.02%	-0.43%
3 months	-8.17%	-8.24%
6 months	-6.65%	-6.68%
1-year p.a.	-14.31%	-15.89%
2 years p.a.	-6.34%	-8.52%
3 years p.a.	-2.74%	-4.52%
5 years p.a.	5.47%	4.75%
7 years p.a.	6.44%	5.31%
Inception p.a.	8.10%	7.00%

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

Cumulative Strategy Performance to 30 November 2022*



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

Top Overweights	Top Underweights/Shorts
GDI Property Group	Vital Healthcare Property Trust
Elanor Commercial Property Fund	Precinct Properties NZ
360 Capital REIT	BWP Trust
Abacus Property Group	Property For Industry
REP Essential Property	National Storage REIT

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

Property Market Commentary

The S&P/NZX All Real Estate Gross Index declined by -0.43% in the month of November, again sharply lagging its global peers. This was well behind the +1.9% advance by the wider NZ equity market, the +5.8% move by the S&P/ASX200 A-REIT Accumulation Index and the +6.0% performance by the global FTSE EPRA/NAREIT Index (USD). The earlier positive divergence between NZ versus Australia and the world has now been reversed and likely reflects the implications of tighter relative monetary policy settings in NZ.

NZ 10-year bond yields were actually a moderately helpful factor over the month, as they declined from 4.26% to 4.11% but this was overshadowed by the RBNZ's hawkish 75bp hike in the OCR to 4.25%, which sent the yield curve well into inverted territory. While inflation-driven rental growth is helpful for the sector, the concerns are rising interest costs, potentially problematic debt levels in some cases, falling property values on higher cap rates and rising vacancies in lower quality assets. This has hardly been missed by the market and explains the NTA discounts of 15%-35%.

News flow was dominated by result season. Argosy (ARG) and Goodman Property(GMT) saw rent growth largely offset the impact of higher cap rates on valuations. Investore (IPL), Kiwi Property (KPG) and Stride Property (SPG) saw net valuation declines. SPG announced a material cut in their dividend outlook, with this reflecting their relatively levered balance sheet. Precinct Property (PCT) announced several developments accompanied by divestitures of majority stakes in the properties to partnerships that they run with Singapore's GIC and Hong Kong's PAG.

Performance in the month saw reasonable divergence, with the key leaders being Precinct Property (PCT, +3.6%) and Kiwi Property (KPG, +2.8%). Laggards were Stride Property (SPG, -6.3%) and Property For Industry (PFI, -5.9%).

Salt Enhanced Property Fund Commentary

The Fund outperformed its benchmark in the month of November, with a return of +0.02% compared to the -0.43% performance turned in by the S&P/NZX All Real Estate Gross Index. This performance was satisfactory although it was largely due to Australia sharply outperforming NZ in the month.

Our Australian investments were moderately successful, contributing +0.18% to overall returns. They did it the hard way, with one of the shorts falling sharply and the largest long being a little weak against a backdrop of a strong market. Our key holding in in GDI Property (GDI, -1.9%) came under heavy selling pressure due to its removal from the MSCI Small Cap Index. We did at least buy more at the lows and it bounced slightly from there. Their AGM saw some leasing news but did not yet land the major positives that we are hopefully awaiting.

The largest positive contribution came from our short in National Storage REIT (NSR, -8.4%), which we short-sold after it had been bid up very aggressively in the prior month. It ranks bottom of our relative valuation model, and while storage has been a hot property sub-class, it may face some headwinds as housing slows and ecommerce reverts to normal levels post-Covid.

Other positive contributions were led by the underweight in Property For Industry (PFI, -5.7%). No particular news drove this aside from the general pressures on the sector at present and it had spiked at the end of the prior month to close on a high. Our zero-weight in Winton Property (WIN, -10.2%) again contributed and it is still the wrong point in the residential land cycle to reconsider having a holding.

Detractors were only moderate and were led by GDI and an underweight in Precinct Property (+3.6%), which rallied on its sensible development announcements coupled with capital recycling deals.

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

Matthew Goodson, CFA