

SALT

Salt Enhanced Property Fund Fact Sheet – July 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 July 2023

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$24 million
Inception Date	11 November 2014
Portfolio Managers	Matthew Goodson, CFA Nicholas Falconer, MBA

Unit Price at 31 July 2023

Application	1.5582
Redemption	1.5519

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 2023

Long Exposure	101.01%
Short Exposure	3.44%
Gross Equity Exposure	104.45%
Net Equity Exposure	97.58%

Fund Allocation at 31 July 2023

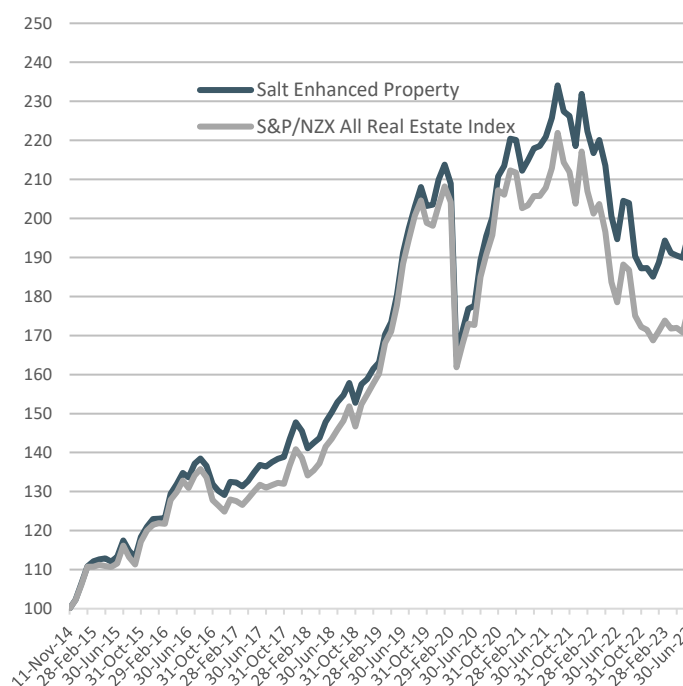
NZ Listed Property Shares	88.21%
AU Listed Property Shares	9.42%
Cash & cash equivalents	2.38%

Fund Performance to 31 July 2023

Period	Fund Return	Benchmark Return
1 month	3.99%	4.29%
3 months	7.02%	7.43%
6 months	6.57%	7.93%
1 year	-1.68%	-1.85%
2 years p.a.	-5.63%	-6.57%
3 years p.a.	2.04%	0.15%
5 years p.a.	5.62%	4.97%
7 years p.a.	5.62%	4.77%
Inception p.a.	8.43%	7.44%

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

Cumulative Strategy Performance to 31 July 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.

Top Overweights	Top Underweights/Shorts
GDI Property Group	Goodman Property Trust
Asset Plus	Precinct Properties NZ
Elanor Commercial Property Fund	Property For Industry
HealthCo Healthcare & Wellness REIT	Vital Healthcare Property Trust
Argosy	Investore Property

SALT FUNDS MANAGEMENT

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index had a strong month, rising +4.4% in July, despite the NZ 10-year bond yield holding firm at 4.63% (broadly in-line with 4.67% last month). NZ again outperformed our normal peers with the NZX50 Gross Index gaining +1.2%, S&P/ASX200 A-REIT Accumulation Index adding +3.8% and the global FTSE EPRA/NAREIT Index rising +4.0%.

It was a relatively quiet month for news in the REIT market. The main points of interest were confirmations of asset sales by Stride and Vital Healthcare. Stride has sold two industrial assets out of its *Industre* joint venture – notably for above book value. Vital has sold over \$150m of ‘non-core’ assets at a discount of less than 10% of the most recent valuations. Both companies are trying to reduce their gearing and lessen the increase in interest expense from higher rates.

In the lead-up to another reporting round, Precinct released an updated portfolio valuation. Their weighted average cap rate has expanded 70 basis points on last year to 5.6% (+14%) but this has only led to revaluations of -7% due to rental growth. We will be getting full year results from Winton, Precinct and Vital in August, and a half year result from Property For Industry.

Performance across the property market was notable in that stocks had positive returns. The best performances came from Winton, Argosy and Stride who all easily outperformed the market. Underperformers were Asset Plus, Vital Healthcare, CDL and Goodman who all delivered less than +2% in a strong overall month.

Salt Enhanced Property Fund Commentary

The Fund underperformed the S&P/NZX All Real Estate Gross Index by -0.30% although this still saw the fund returning +4.0% for the month of July.

Our collection of Australian holdings contributed +0.3% to the Fund, with our shorts taking off -0.1% offsetting gains in our long positions of +0.4%, unsurprising in a strong month for the Australian market.

Outperformance this month mostly came from Australia where our large position in Perth-focused GDI turned positive (GDI, +3.1%), and both Healthco Healthcare & Wellness (HCW, +8.4%) and Dexu Industrial (DXI, +8.5%) performed strongly. The main positive contributor from NZ was our overweight in Argosy that well outperformed the market (ARG, +9.4%).

Underperformers in the fund this month were Elanor Commercial Property Fund (ECF, -8.6%) and our NZ-market underweight positions in Property For Industry (PFI, +4.9%), Precinct (PCT, +4.3%) and Investore (IPL, +4.9%) who all delivered market-level returns for the month. ECF’s performance in recent months has been disappointing but we believe it has a well-positioned portfolio of office assets outside the relatively over-spaced Sydney and Melbourne CBDs.

At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.5% to a NZ investor.



Nicholas Falconer, MBA