

SALT

Salt Enhanced Property Fund Fact Sheet – November 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 30 November 2023

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$22 million
Inception Date	11 November 2014
Portfolio Managers	Matthew Goodson, CFA Nicholas Falconer, MBA

Unit Price at 30 November 2023

Application	1.3771
Redemption	1.3715

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 2023

Long Exposure	102.43%
Short Exposure	4.43%
Gross Equity Exposure	106.86%
Net Equity Exposure	98.00%

Fund Allocation at 30 November 2023

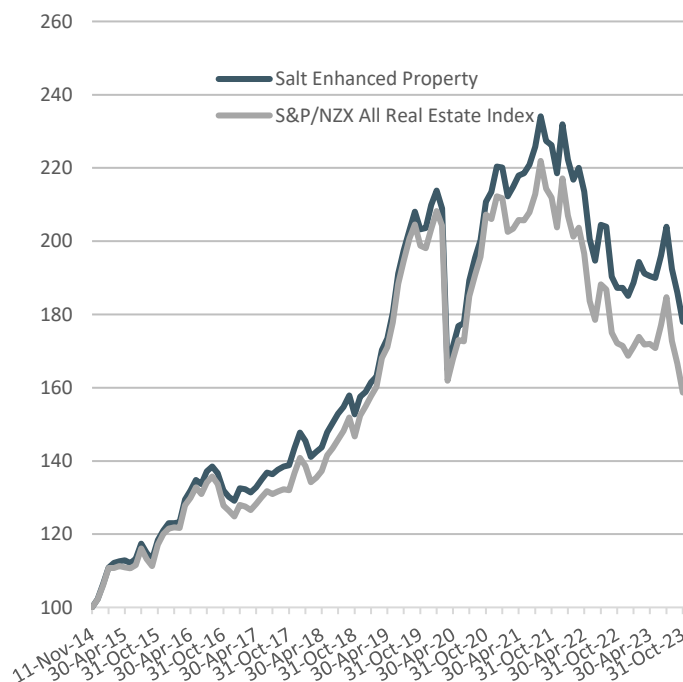
NZ Listed Property Shares	88.71%
AU Listed Property Shares	8.98%
Cash & Cash Equivalents	2.31%

Fund Performance to 30 November 2023

Period	Fund Return	Benchmark Return
1 month	3.91%	4.18%
3 months	-3.89%	-3.95%
6 months	-2.66%	-2.86%
1 year	-2.65%	-3.22%
2 years p.a.	-8.66%	-9.77%
3 years p.a.	-5.12%	-6.79%
5 years p.a.	2.97%	1.84%
7 years p.a.	4.93%	4.05%
Inception p.a.	6.86%	5.82%

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

Cumulative Strategy Performance to 30 November 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	Precinct Properties NZ
Asset Plus	Goodman Property Trust
Elanor Commercial Property Fund	Property For Industry
Servcorp	Investore Property
Millennium & Copthorne Hotels	Kiwi Property Group

SALT FUNDS MANAGEMENT

Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143

Email: info@saltfunds.co.nz | www.saltfunds.co.nz

Property Market Commentary

The S&P/NZX All Real Estate Gross Index delivered a swing in performance on last month with a +4.2% gain over the month of November. We saw almost all property indices rise strongly with a sharp decrease in bond yields over the month – the NZ10-year bond yield dropped back to 5.08% (although still above September close and at the second-highest month-end level since May 2011).

In a strong month for most markets the NZX50 Gross Index was ahead (up +5.3%) and the larger offshore real estate indices performed very strongly, rebounding from their lows in late November. The global FTSE EPRA/NAREIT Index increased strongly (+10.1%) and the S&P/ASX200 A-REIT Accumulation Index performed even better gaining +11.0% for the month – such strong performances being very atypical for property markets.

Best performing New Zealand stocks were two of the smaller constituents – CDL Investments (CDI, +9.5%) and NZ Rural Land Company (NZL, +7.7%) – and Goodman (GMT, +7.6%). Only three stocks underperformed, with Investore (IPL, -9.3%) falling heavily, Asset Plus dropping two cents (APL, -8.0%) and Stride also down (SPG, -4.4%)

Six of the NZ-listed REITs reported their interim results in November. They were all broadly as expected with rental growth again being offset by higher interest expenses. Of note, IPL cut their dividend guidance, and Kiwi Property (KPG, 0%) provided further details on their plans for Drury.

Salt Enhanced Property Fund Commentary

The Fund underperformed the S&P/NZX All Real Estate Gross Index by -0.27% despite delivering +3.91% over the month.

Pleasingly the best performer of the month was our position in the Perth-office focused GDI Property (GDI, +12.6%) which after a few soft months appears to have bottomed – potentially a sign the forced selling in the stock has ended. Our large underweight in IPL did well as it continued to demonstrate low rental growth at the result. Also, our relatively new position in Servcorp (SRV, +11.7%) did well – we believe it offers good value and the company as a provider of short-term and flexible office services has an opportunity to secure leases on quality spaces at bottom of cycle rents.

Underperformance was predominantly driven by underweights in GMT, Precinct (PCT, +4.2%) and Property For Industry (PFI, +5.2%) who rallied alongside the market. Similarly, our Australian short positions underperformed. APL, which we are holding for the future capital release should it be wound up, was also a drag on performance. We continue to actively engage across the market to drive action on this stock.

At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.8% to a NZ investor.



Nicholas Falconer, MBA