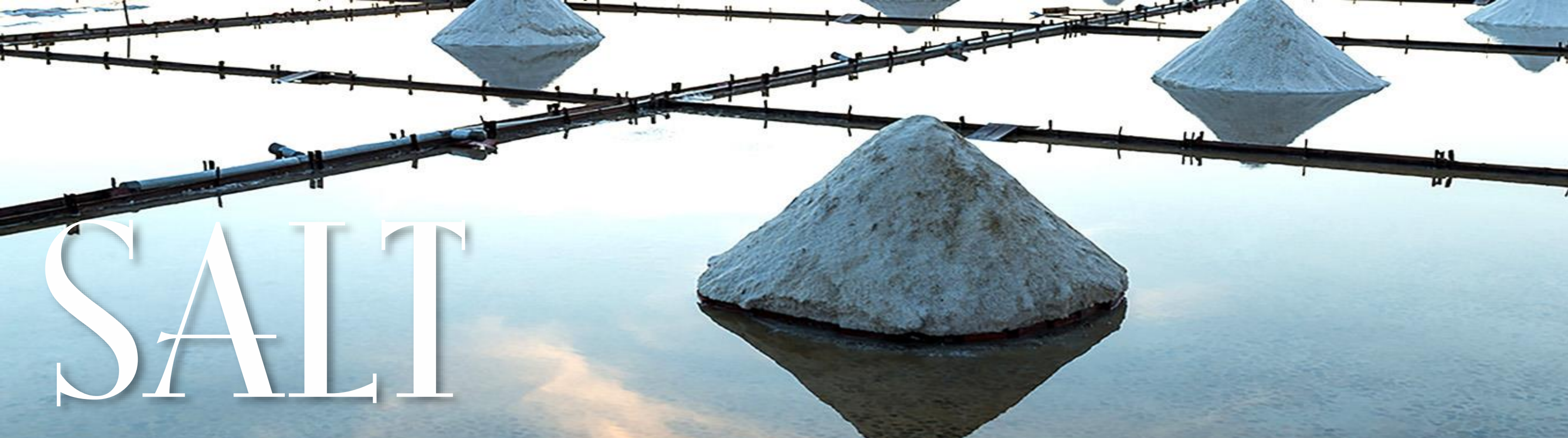


Salt Enhanced Property Fund Fact Sheet – June 2024

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 June also, at our discretion, short sell securities, hold cash, lever its assets and utilise active currency management to generate returns.

Fund Facts at 30 June 2024

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$20 million
Inception Date	11 December 2014
Portfolio Managers	Matthew Goodson, CFA Nicholas Falconer, MBA

Unit Price at 30 June 2024

Application	1.3107
Redemption	1.3054

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 June 2024

Long Exposure	104.86%
Short Exposure	6.28%
Gross Equity Exposure	111.14%
Net Equity Exposure	98.57%

Fund Allocation at 30 June 2024

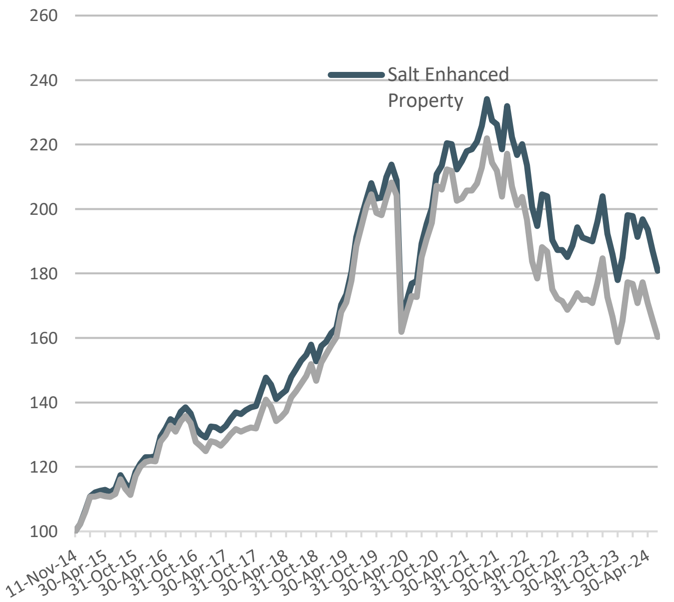
NZ Listed Property Shares	90.88%
AU Listed Property Shares	7.59%
Cash & Cash Equivalents	1.53%

Fund Performance to 30 June 2024

Period	Fund Return	Benchmark Return
1 month	-3.35%	-3.23%
3 months	-8.13%	-8.67%
6 months	-8.72%	-8.71%
1 year	-7.77%	-8.28%
2 years p.a.	-4.30%	-4.59%
3 years p.a.	-6.89%	-7.71%
5 years p.a.	-1.39%	-2.80%
7 years p.a.	3.85%	3.12%
Inception p.a.	6.19%	5.23%

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

Cumulative Strategy Performance to 30 June 2024



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	Property For Industry
Asset Plus	Kiwi Property Group
Elanor Commercial Property Fund	Precinct Properties NZ
Servcorp	Goodman Property Trust
Millennium & Copthorne Hotels	Scentre 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 ended the June quarter down -8.7%. The NZX50 Gross Index and Australian S&P/ASX200 A-REIT Accumulation Index both also closed the quarter down, however slightly stronger at -3.2% and -5.6% respectively. The global FTSE EPRA/NAREIT Index fell -3.3%.

Much commentary has been made about possible directions of interest rates, with some easing in Europe. Nonetheless, talk in Australia is centred on the potential for rate rises and for now the RBNZ is continuing to hold rates at 5.5% with yields on a NZ 10-year bond at 4.59% at the end of the period.

Kiwi Property (KPG, +0.8%) was the only major NZ property stock to post positive returns, however there was no obvious rationale for the outperformance. The worst performers were Goodman (GMT, -11.2%) and Vital Healthcare (VHP, -18.0%) who had a particularly poor quarter – weighed down by its two-thirds exposure to the Australian market and pending exclusion from some global indices. Australian performance continues to be driven by its largest constituent Goodman Group (GMG, +3.2%) at over 40% of the index.

Much of the REIT index posted results or quarterly updates in May and held AGMs in June, and while we had a lot of content to digest there was little in the way of news. As expected, rental growth has slowed (although still above long-term trends) and there are pockets of vacancy in portfolios as tenant moves take longer to backfill.

PCT held an investor day in Auckland focused on their emerging living strategy. This has two branches to it – student accommodation and build-to-sell apartments. Purpose-built student accommodation is a very attractive sector with strong capital returns and we have confidence in PCT's foray there. However, apartments though carry more risk as high price points and limited pre-sales create uncertain project outcomes. PCT will de-risk the strategy to a degree by using external capital to majority fund the developments.

VHP's valuations saw only modest expansion in cap rates. While they had guided to this, there are questions on the Australian assets where weak hospital profitability may temper some landlords' abilities to increase rents over the medium-term.

During the quarter KPG confirmed they have agreed to terms for the sale of Vero for $458 million – a good outcome at a 2% discount to the most recent book value – however, at time of writing the transaction is yet to close.

The development market is very quiet – unsurprising given continued high interest rates, reduced valuations, and construction costs are only just showing signs of coming off. A handful of legacy projects are coming to completion with yields generally below funding costs. GMT noted this will be the first time in decades they have no work-in-progress.

We had meetings with and visited the assets of a number of Australian property stocks in Sydney during the quarter. Of particular note was the emerging (relative) weakness in the industrial sector after a strong 2-3 year period and also a lot of discussion as to whether or how close prime office is to the bottom of its cycle. Despite recent retail sector profit warnings, retail assets continue to perform strongly achieving good rental growth.

Salt Enhanced Property Fund Commentary

The fund outperformed our NZ benchmark for the quarter by 0.53%, with most of the gains coming in April (May was also positive and June a slight negative). The return to investors over the quarter however was -8.14%.

The main contributors to our performance were our underweight positions in the NZ industrial REITs (GMT and PFI) plus the office-dominant PCT, together adding 100 bps of positive contribution. The June quarter saw industrial vacancies begin to creep up from near non-existent levels and rents pull back by 1.5%-2% - the first such decline in many years.

Our handful of short positions naturally had a strong quarter, adding over 0.60% – with significant positive contributions coming from Mirvac (MGR, -18.2%), Stockland (SGP, -10.6%) and Scentre (SCG, -8.0%). Even our short in Goodman Group (GMG, +2.8%)added value as we lifted it at its highs. GMG continues to hold its high relative valuation on the back of ongoing enthusiasm for its data centre development pipeline.

Underperformance in such a negative overall quarter naturally came from our off-benchmark positions. For example, GDI Property (GDI, -4.9%) and Asset Plus (APL, -6.7%) outperformed the index but still fell over the quarter contributing to 0.29% of underperformance. Elanor (ENN, -14.4%) had a disappointing quarter on the back of an earnings update that highlighted lower transaction activity. However positively, Servcorp (SRV, +8.2%) materially outperformed and was our best performing overweight position.

At time of writing, we estimate that the Fund offers a year-ahead gross dividend yield of 7.6% to a NZ investor.

Nicholas Falconer, MBA