

SALT

Salt Enhanced Property Fund Fact Sheet – July 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 July 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 2024

| | |
|--------------------|--|
| Benchmark | S&P/NZX All Real Estate Gross Index |
| Fund Assets | \$21 million |
| Inception Date | 11 December 2014 |
| Portfolio Managers | Matthew Goodson, CFA Nicholas Falconer, MBA |

Unit Price at 31 July 2024

| | |
|-------------|--------|
| Application | 1.3796 |
| Redemption | 1.3740 |

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 2024

| | |
|-----------------------|---------|
| Long Exposure | 105.27% |
| Short Exposure | 6.58% |
| Gross Equity Exposure | 111.86% |
| Net Equity Exposure | 98.69% |

Fund Allocation at 31 July 2024

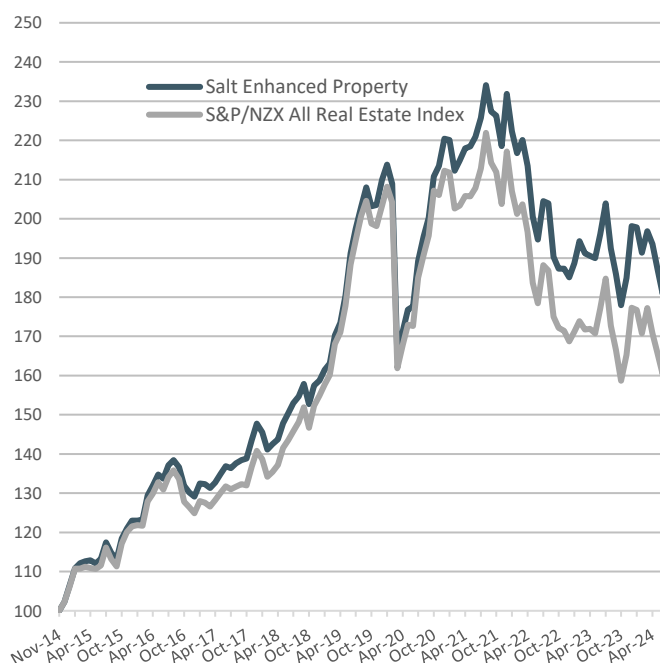
| | |
|---------------------------|--------|
| NZ Listed Property Shares | 91.41% |
| AU Listed Property Shares | 7.35% |
| Cash & Cash Equivalents | 1.25% |

Fund Performance to 31 July 2024

| Period | Fund Return | Benchmark Return |
|----------------|-------------|------------------|
| 1 month | 5.26% | 5.79% |
| 3 months | -1.67% | -0.70% |
| 6 months | -3.78% | -3.13% |
| 1 year | -6.65% | -6.96% |
| 2 years p.a. | -4.20% | -4.44% |
| 3 years p.a. | -5.97% | -6.70% |
| 5 years p.a. | -1.01% | -2.34% |
| 7 years p.a. | 4.66% | 4.04% |
| Inception p.a. | 6.69% | 5.79% |

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

Cumulative Strategy Performance to 31 July 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 | Kiwi Property Group |
| Asset Plus | Property For Industry |
| Servcorp | Precinct Properties NZ |
| Elanor Commercial Property Fund | Goodman Property Trust |
| Millennium & Copthorne Hotels | Scentre Group |

SALT FUNDS MANAGEMENT

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index had a very strong July rising +5.8% – broadly in line with the wider market where the NZX50 Gross Index returned +5.9%. The strong performance can in part be linked to continued expectations of lower rates as the NZ 10-year bond continued to fall over the month and sat at 4.40% by month-end – declining further in the first few days of August to be under 4.2% at the time of writing. Australian and international real estate stocks also had strong months with the FTSE EPRA/NAREIT Index rising +6.7% and the Australian S&P/ASX200 A-REIT Accumulation Index similarly up +6.8%.

The best performer of the local REITs in a strong month for returns was Investore (IPL, +12.6%) followed by Precinct (PCT, +8.5%), Kiwi Property (KPG, +8.4%), and Stride (SPG, +7.6%). The industrial exposed stocks while still positive had the lowest returns and underperformed the market.

Aside from market movements, there were no notable updates from the local REITs. Although happening in August it's worth noting that KPG has cancelled the sale contract for Vero with their prospective buyer – disappointingly, they had not undertaken the contract requirements including deposit payment or applying for OIO approval.

Salt Enhanced Property Fund Commentary

The fund returned +5.26% for the month of July, an underperformance of 53 basis points. This was a good month for overall returns, however the positive performances of our off-benchmark positions were not enough to offset the relative underperformance of our underweights in large-cap NZ REITs.

Pleasingly, our Australian positions added over 50 bps of outperformance in the month led by GDI (GDI, +8.0%) and Servcorp (SRV, +6.9%) rising ahead of both the Australian and NZ markets. Despite the strength of the Australian market, our shorts only netted off around 30 bps.

At the time of writing, we estimate that the Fund offers a year-ahead gross dividend yield of 7.3% to a New Zealand investor.



Nicholas Falconer, MBA