Salt Enhanced Property Fund Fact Sheet – November 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 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 2024

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

Unit Price at 30 November 2024

Application	1.3869
Redemption	1.3812

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 2024

Long Exposure	103.46%
Short Exposure	5.34%
Gross Equity Exposure	108.80%
Net Equity Exposure	98.13%

Fund Allocation at 30 November 2024

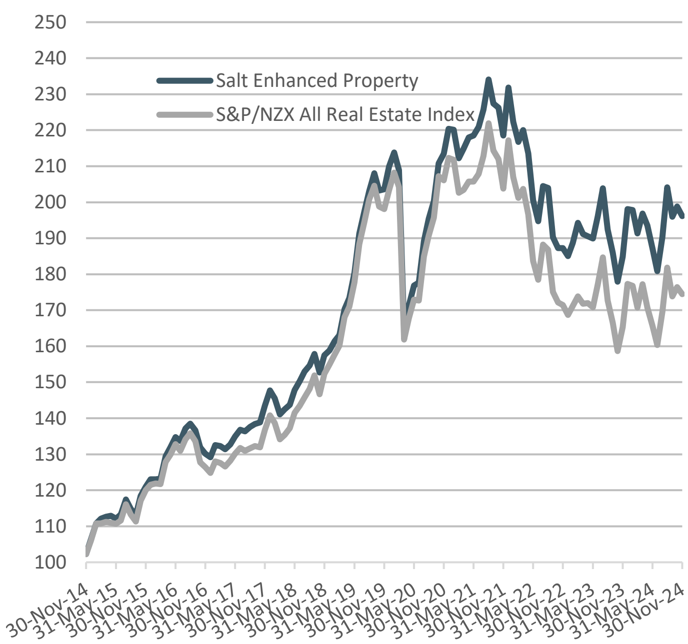
NZ Listed Property Shares	91.85%
AU Listed Property Shares	6.65%
Cash & Cash Equivalents	1.51%

Fund Performance to 30 November 2024

Period	Fund Return	Benchmark Return
1 month	-1.32%	-1.12%
3 months	-3.89%	-3.86%
6 months	4.83%	5.56%
1 year	6.10%	6.81%
2 years p.a.	1.63%	1.67%
3 years p.a.	-3.99%	-4.55%
5 years p.a.	-1.02%	-2.09%
7 years p.a.	4.36%	3.86%
10 years p.a.	6.58%	5.71%
Inception p.a.	6.78%	5.92%

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

Cumulative Strategy Performance to 30 November 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 Trust
Servcorp	Precinct Properties NZ
Asset Plus	Property for Industry
Elanor Commercial Property Fund	Goodman Property Trust
Millennium & Copthorne Hotels	Scentre Corp

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index fell slightly in November to end down -1.1%, underperforming the local market where the NZX50 Gross Index gained +3.4%. Offshore property indices performed solidly with the Australian S&P/ASX200 A-REIT Accumulation Index gaining +2.5% and the global FTSE EPRA/NAREIT Index rising +1.6%.

Despite the Reserve Bank cutting the official cash rate by a further 50bp, the NZ 10-year government bond yield remained around the 4.5% level at month-end (having been higher during the month).

Given the overall REIT index performance, it was unsurprising there were few positives at the stock level. Only Property For Industry (PFI, +1.1%) and Argosy (ARG, +0.9%) recorded positive returns and Precinct (PCT, -3.0%) and Stride (-3.6%) were again the bottom stocks.

Asset Plus (APL, +11.4%) settled the sale of one of their two remaining assets. This enables them to fully pay off their debt and move to a net cash position. They announced their intention to make a sizable distribution of 5cps in December. This leaves them with a reasonable cash balance and a 70% let recently completed office building which needs further leasing prior to being saleable.

Vital Healthcare (VHP, -2.2%) released a preliminary proposal to move to dual-listing structure between Australia and NZ. While details are still scarce on the exact structure and mechanism, the impacts are that ~2/3 of the listing would move to the ASX in return for an improved tax situation. We have had discussions with the manager and independent directors but reserve our judgment until we see more information.

The month saw interim results from a number of local REITs. Key points of interest were increasing vacancy in lower-quality assets (but still at historically low levels in most portfolios) and a stabilisation in property valuations – we believe indicating the bottom of the devaluation cycle.

Salt Enhanced Property Fund Commentary

The Fund slightly underperformed our NZ benchmark in November by -0.20%. The return to investors in the month was -1.32%.

Drivers of positive performance were our overweight position in APL (+11.4%) given the progress made on converting assets to cash, our underweight in PCT (-3.0%), and a small holding in AV Jennings (AVJ, +87.9%). AVJ received a takeover offer at the end of the month that is supported by the Board. It had earlier been trading at a fraction of NTA.

On the downside, GDI Property (GDI, -4.0%) fell despite a relatively positive AGM that spoke to continued leasing progress and a small property sale. We also took another price adjustment on the small Elanor (ENN) position given it still has not finalised its refinancing. This presents some ongoing risk, but they did release a relatively encouraging update post month-end.

Our handful of short positions in Australia detracted this month, unsurprising given the relative strength of the A-REIT market vs NZ in November.

We have been actively engaging with both domestic and Australian REITs throughout the month both on the back of results and as part of ongoing diligence.

At time of writing, we estimate that the Fund offers a year-ahead gross dividend yield of 7.7% to a NZ investor (note this is currently elevated due to the special dividend from APL in December).

Nicholas Falconer, MBA