Salt Enhanced Property Fund Fact Sheet – August 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 August 2024

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

Unit Price at 31 August 2024

Application	1.4793
Redemption	1.4733

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 August 2024

Long Exposure	103.90%
Short Exposure	5.91%
Gross Equity Exposure	109.81%
Net Equity Exposure	97.98%

Fund Allocation at 31 August 2024

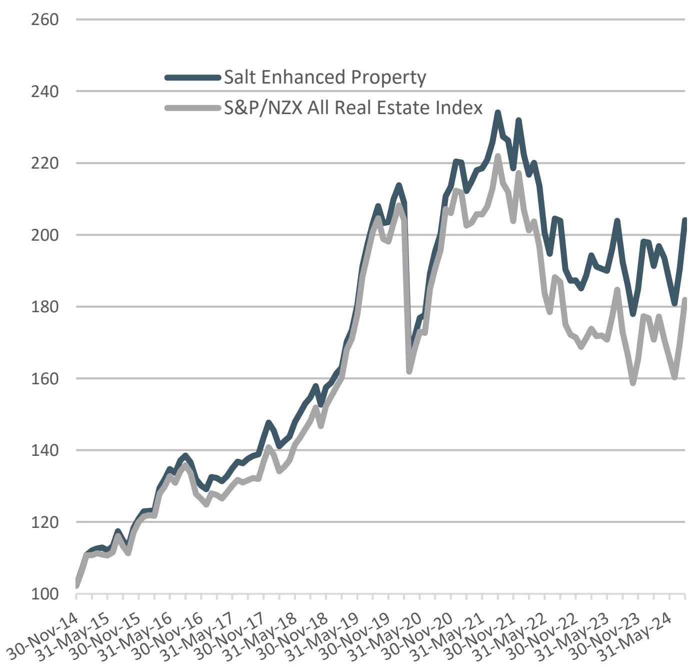
NZ Listed Property Shares	91.41%
AU Listed Property Shares	7.35%
Cash & Cash Equivalents	1.25%

Fund Performance to 31 August 2024

Period	Fund Return	Benchmark Return
1 month	7.23%	7.25%
3 months	9.08%	9.80%
6 months	6.68%	7.53%
1 year	6.10%	6.71%
2 years p.a.	-0.66%	-0.67%
3 years p.a.	-4.91%	-5.84%
5 years p.a.	-0.18%	-1.58%
7 years p.a.	5.58%	5.01%
Inception p.a.	7.40%	6.50%

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

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

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Property Market Commentary

It was another very strong month for the S&P/NZX All Real Estate Gross Index rising +7.25% which was a material outperformance to the broader market where the NZX50 Gross Index returned a slight positive +0.3%. The outperformance of real estate can in part be linked to the Reserve Bank announcing the first cut to the official cash rate earlier than perhaps expected, lowering it 25 basis points to 5.25%. The NZ 10-year bond did not fall further though and traded around 4.2% for the month.

Global real estate stocks also had a strong month with the FTSE EPRA/NAREIT Index rising +6.0% however the Australian S&P/ASX200 A-REIT Accumulation Index was broadly flat at +0.5% driven largely by weakness in the largest constituent Goodman Group (GMG, -4.8%).

The best performer of the local REITs in a strong month for returns was Stride (SPG, +14.1%) followed by Argosy (ARG, +12.8%) and Precinct (PCT, +10.7%). The industrial exposed stocks again underperformed the broader index.

As noted last month, Kiwi Property (KPG, +7.2%) announced the cancellation of the sale contract for Vero with their prospective buyer – the purchaser had not undertaken the contract requirements including deposit payment or applying for OIO approval.

Of note amongst companies reporting during the month was PCT further outlining their progress in funds management, operating businesses, and residential development. While growth from funds management is generally a good thing, PCT is introducing a lot of complexity into their business and the benefits of these shifts will take time to prove out. Property For Industry's result (PFI, +3.2%) was an end of year but only for six months as they change their year-end – the result showed stronger than expected rent growth, a good sign that under-renting in the industrial market continues to support income growth.

Australian results led to some pretty volatile share price reactions – particularly given the index overall was flat for the month – e.g. Mirvac and Dexus both fell -9% on result day. A theme that has come out of the period is that REITs that can demonstrate income growth at this stage in the cycle are the favoured names. Nonetheless the NZ market outperformance will likely continue while Australia remains at risk of rate rises as NZ enters a cutting phase.

Salt Enhanced Property Fund Commentary

The fund returned +7.23% for the month of August, missing the benchmark by just two basis points. This was another good month for overall returns on top of last month's +5.25% return.

The biggest positive performance drivers were some oft-mentioned positions in these updates. GDI (GDI, +10.7%) provided a solid-to-good result update, continuing to demonstrate good leasing. The positive side of owning assets with vacancies is the significant upside from leasing up, GDI continues to demonstrate this. Servcorp (SRV, +10.5%) also reported solid operating metrics and continues to position itself well for how businesses want to 'consume' office space.

Underperformance predictably came from our largest NZ underweights (PCT and KPG) which in our view have run harder than they deserve along with the rest of the market. We also took a provisional 23 basis point hit due to marking down Elanor (ENN, -6.8%) – see below.

The stock was in suspense at month-end and we took a further -20% mark against the last closing price on our ~60 basis point position. We invested in ENN last year when they did what we thought was an outstanding deal to buy the Challenger property platform in return for Challenger taking a 13.7% stake in ENN via new shares. Associated with this, ENN also became the manager for the massive Abu Dhabi Investment Authority (ADIA) in Australia. We had seen this as moving past their history of being good value-add managers of moderate quality properties across a range of structures with high leverage but non-recourse debt. We did not expect the moderate leverage at the parent company level to become an issue. However, some private debt that they have issued appears to be problematic in terms of finding liquidity to repay it. This should be solvable but we will know more in coming days.

At time of writing, we estimate that the Fund offers a year-ahead gross dividend yield of 6.5% to a New Zealand investor. It's worth noting that this has come down over the last two months as the unit value has risen by over 12.5% and dividends have held broadly steady.

Nicholas Falconer, MBA