

# SALT

## Salt Enhanced Property Fund Fact Sheet – November 2021

### 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 2021

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$26.7 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

### Unit Price at 30 November 2021

Application	1.8183
Redemption	1.811

### Investment Limits

The limits for the Enhanced Property Fund are shown below:

Gross Equity Exposure <sup>1</sup>	70% – 200%
Net Equity Exposure <sup>1</sup>	70% – 100%
Unlisted securities <sup>1</sup>	0% – 5%
Cash or cash equivalents	0% – 30%

1. To NZ and Australian property and property related securities.

### Fund Exposures at 30 November 2021

Long Exposure	100.84%
Short Exposure	4.78%
Gross Equity Exposure	105.62%
Net Equity Exposure	96.06%

### Fund Allocation at 30 November 2021

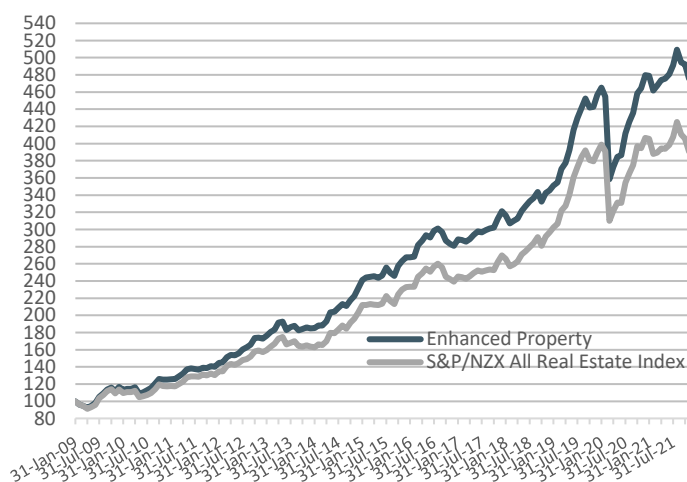
NZ Listed Property Shares	91.30%
AU Listed Property Shares	5.68%
Cash	3.02%

### Fund Performance to 30 November 2021

Period	Fund Return	Benchmark Return
1 month	-3.42%	-3.83%
3 months	-6.65%	-7.69%
6 months	0.01%	-0.34%
1-year p.a.	2.38%	-0.51%
2 years p.a.	3.61%	1.73%
3 years p.a.	11.53%	10.40%
5 years p.a.	10.92%	10.15%
7 years p.a.	11.46%	10.44%
Inception p.a.	11.72%	10.71%

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

### Cumulative Fund Performance to 30 November 2021\*



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.

\*From 1 January 2009 to 30 November 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights	Top Underweights/Shorts
GDI Property Group	Property For Industry
Elanor Commercial Property Fund	Precinct Properties NZ
Centuria Industrial REIT	Arena REIT No 1
Dexus Industria REIT	Stride Property Group
Garda Diversified Property Fund	Goodman Property Trust

SALT FUNDS MANAGEMENT

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## Monthly Property Market Commentary

The S&P/NZX All Real Estate Gross Index declined by a sharp -3.83% in the month of November. This was its third consecutive monthly decline as the spectre of rising interest rates weighed on the sector although 10-year yields did retrace a little from 2.61% to 2.48% in the month. NZ dramatically lagged the S&P/ASX200 A-REIT Accumulation Index which rose by +4.5% in the month. The global FTSE EPRA/NAREIT Index declined by -1.15%.

News-flow was dominated by reporting season, which did not deliver any great surprises. Industrial properties continue to benefit from buoyant logistics demand and this is driving cap rates into unusually tight levels at a time of rising bond yields. Implicitly, this suggests that investors expect rental growth to be very strong. Covid-19 impacts on the office and retail sectors have been relatively muted thus far.

The other key event was Stride Property (SPG) raising \$130m in new equity to de-gear their balance sheet somewhat given their failure two months ago to spin-off and list their office assets in a new vehicle, Fabric. We expect this to potentially be revisited in the new year depending on market conditions.

**Performance in the month was generally weak, with every single name in the index having a negative return. The best performers were Investore (IPL, -0.5%) and Goodman Property (GMT, -0.8%). The weakest performer by some distance was Stride Property (SPG, -11.5%) thanks to its discounted equity raising, while Precinct Property (PCT, -5.9%), Argosy (ARG, -5.1%) and Property For Industry (PFI, -5.0%) also lagged.**

## Salt Enhanced Property Fund Commentary

The Fund delivered a solid month of relative returns in November, declining by -3.42% compared to the -3.83% decline turned in by the S&P/NZX All Real Estate Gross Index. We might have expected to do a little better still given the relative strength of Australia but several of our key holdings in that market did not participate in its wider strength.

Our small collection of Australian shorts actually did well to defy that market's strength and contribute a positive +0.03% to returns. The headwind came from our longs which did not participate in the rally, which meant that our Australian holdings detracted -0.13% overall.

The largest contribution by some distance was an underweight in Stride Property (SPG, -11.4%). We were able to cover much of this at an attractive discount in their equity raising at \$2.00. The other stand-out was the large underweight in Property For Industry (PFI, -5.0%), where we used the unusual weakness to gradually cover a degree of our relative position.

**The only headwind of major note was our holding in GDI Property (GDI, -6.8%). This fell for reasons that were unclear but we remain attracted to its strong position in the improving Perth office market, which looks better placed than other metropolitan centres. GDI is at a healthy discount to NTA and on top of this has a profitable syndications business, with some assets appearing to be carried at conservative historical valuations.**



Matthew Goodson, CFA