Salt Enhanced Property Fund Fact Sheet – May 2021

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in managing NZ/Australian equity and listed property mandates for wholesale and retail clients.

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 31 May 2021

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$14.4 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 May 2021

Application	1.841
Redemption	1.8335

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 May 2021

Long Exposure	103.13%
Short Exposure	5.97%
Gross Equity Exposure	109.11%
Net Equity Exposure	97.16%

Fund Allocation at 31 May 2021

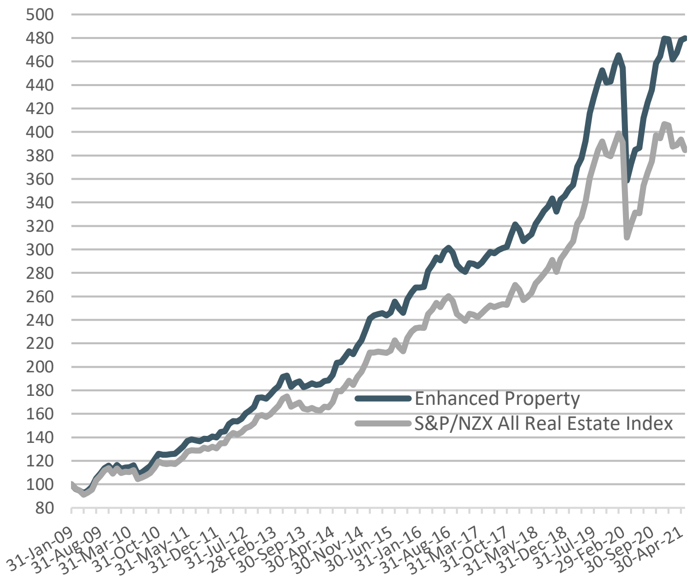
NZ Listed Property Shares	90.69%
AU Listed Property Shares	7.41%
Cash	1.90%

Fund Performance to 31 May 2021

Period	Fund Return	Benchmark Return
1 month	0.25%	-0.03%
3 months	2.95%	1.54%
6 months	2.36%	-0.17%
1-year p.a.	23.56%	18.92%
2 years p.a.	10.04%	7.57%
3 years p.a.	13.90%	13.28%
5 years p.a.	10.14%	9.15%
Inception p.a.	12.67%	11.63%

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

Cumulative Fund Performance to 31 May 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 October 2014, performance is from a fund with the same strategy and the same portfolio manager.

Top Overweights	Top Underweights/Shorts
Elanor Commercial Property Fund	Property for Industry
GDI Property Group	Goodman Property Trust
Garda Diversified Property Fund	Stride Property Group
Waypoint REIT	Vital Healthcare Property Trust
Vitalharvest Freehold Trust	Precinct Properties NZ

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Monthly Property Market Commentary

The S&P/NZX All Real Estate Gross Index was flat in the month of May, with a return of -0.03% although this did rely on a sharp rally of +1.72% on the last day of the month. With the general backdrop being one of gathering inflation, NZ 10-year bond yields rose from 1.62% to 1.85%, so property did well in the face of this headwind. NZ lagged the +1.7% advance turned in by the S&P/ASX200 A-REIT Accumulation Index and +1.4% by the global FTSE EPRA/NAREIT Index.

News during May was highlighted by result season, which overall was largely in line with expectations. Kiwi Property's result featured slightly weaker than expected dividend guidance and an affirmation of seeking to exit The Plaza and Northlands in favour of investing in build-to rent residential and some office developments. Goodman Property's result was highlighted by NTA rising from 172.7c to 212.5c. However, this was largely driven by cap rate contraction rather than rents, meaning there is value leakage to the external manager. Sharp cap rate contraction was a similar theme across the sector.

Performance in the month was led by Argosy Property (ARG, +3.0%), with Stride Property (SPG, +2.2%) and Vital Healthcare Property (VHP, +2.0%) following behind. The largest laggards were Kiwi Property (KPG, -3.5%) and Precinct Property (PCT, -3.3%).

Salt Enhanced Property Fund Commentary

The Fund delivered a month of solid outperformance, returning +0.25% compared to the -0.03% advance turned in by the S&P/NZX All Real Estate Gross Index.

As is often the case, a tailwind came from our net exposure of approximately 7% to the outperforming Australian market. As a group, our shorts detracted -0.05% from returns but these allowed us to size up our favoured longs a little more aggressively. As a result, our overall Australian holdings contributed +0.40% to returns – slightly more than the entire outperformance.

The largest positive was our long-held position in Garda Property (GDF, +10.0%). They announced a sizeable 21% increase in their NTA to $1.45, with both their industrial and office property holdings contributing. They also acquired three parcels of land for future industrial developments. We view their strategy of building as opposed to buying as being very sensible in the current market conditions. Their NTA is still 15% above the year-end share price and we see further upside for this internally managed entity.

The second stand-out was our underweight in Precinct Property (PCT, -3.3%). While we view PCT as being very well managed, we are concerned that the Auckland office market is experiencing negative net absorption while new supply is showing no signs whatsoever of abating. We see risks to effective rents as incentive levels balloon, with valuations only hanging in there due to contracting cap rates.

A third highlight was our holding in Irongate Property (IAP, +5.8%), a holder of office and industrial property in Australia and NZ. They delivered a strong result early in the month, featuring an 8.3% increase in NTA. The presence of 360 Capital on their register points to corporate activity of some type being possible.

There were no headwinds of particular note, with several of our NZ underweights being a modest drag. Examples were Stride Property (SPG, +2.2%) and Vital Healthcare Property (VHP, +2.0%). Headwinds also came from our shorts in the very expensive Arena REIT (ARF, +5.8%) and APN Industria REIT (ADI, +2.6%), where we see leasing risk in their office assets.

Matthew Goodson, CFA