

SALT

Salt Enhanced Property Fund Fact Sheet – January 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 January 2021

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$12.4 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 January 2021

Application	1.8826
Redemption	1.875

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 January 2021

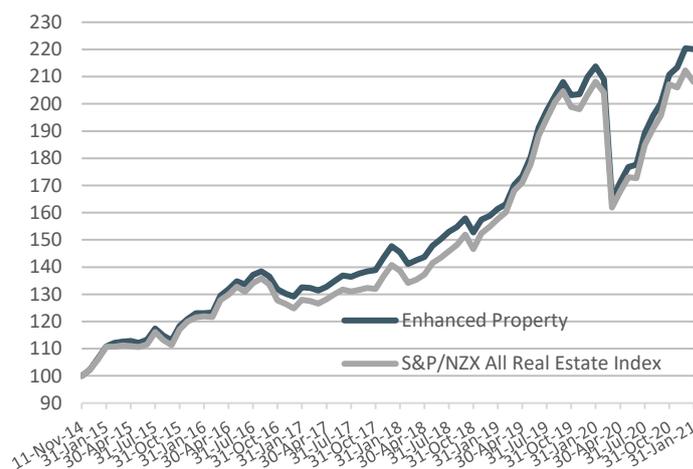
Long Exposure	100.78%
Short Exposure	3.84%
Gross Equity Exposure	104.62%
Net Equity Exposure	96.95%

Fund Performance to 31 January 2021

Period	Fund Return	Benchmark Return
1 month	-0.13%	-0.25%
3 months	4.43%	2.18%
6 months	16.32%	14.48%
1-year p.a.	2.95%	1.71%
2 years p.a.	16.76%	15.88%
3 years p.a.	14.79%	15.16%
5 years p.a.	12.34%	11.68%
Inception p.a.	13.53%	12.82%

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

Cumulative Fund Performance to 31 January 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.

Fund Allocation at 31 January 2021

NZ Listed Property Shares	89.02%
AU Listed Property Shares	10.27%
Cash	0.71%

Top Overweights	Top Underweights/Shorts
Vitalharvest Freehold Trust	Property for Industry
Centuria Industrial REIT	Vital Healthcare Property Trust
Elanor Commercial Property Fund	Stride Property Group
Garda Property Group	Precinct Properties NZ
Millennium & Copthorne Hotels	Argosy Property

SALT FUNDS MANAGEMENT

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Monthly Property Market Commentary

The S&P/NZX All Real Estate Gross Index declined by a slight -0.25% in the month of January. This was a creditable performance given a backdrop of continued steady increases in long term bond yields, with NZ 10 years moving from 0.99% to 1.10% over the month. There is a tension at present between the impact that they should exert on valuation versus a flood of money fleeing derisory bank deposit rates.

The S&P/ASX200 A-REIT Accumulation Index fell by a sharp -4.06% in the month as it responded to the bond yield move and rising vacancy issues in the office sector. The global FTSE EPRA/NAREIT Index declined by -0.52%, with some remarkable volatility and short-squeeze style moves in the heavily shorted retail shopping centre segment.

News-flow was virtually non-existent during what is traditionally a very quiet month, with the highlight being Kiwi Property reporting solid December sales data at its centres, with total sales for the month +4.2% on last year, while speciality stores rose by +9.3%.

Performance in the month was led by Kiwi Property (KPG, +5.7%) and Investore (IPL, +2.0%) despite its long WALT portfolio being theoretically more exposed to rising yields. Laggards were Goodman Property (GMT, -3.0%) and Argosy Property (ARG, -2.8%) although limited meaning should be read into price movements during a very quiet month.

Salt Enhanced Property Fund Commentary

The Fund slightly outperformed its benchmark during January, returning -0.13% compared to the -0.25% decline turned in by the S&P/NZX All Real Estate Gross Index. This was a pleasing outcome given the 10% net exposure to the cheaper Australian market, which underperformed NZ by almost 4% during the month.

In a negative month for Australian property stocks, our shorts in that market were rather helpful as one might expect. They collectively added +0.20% to returns, with the way being led by Goodman Group (GMG, -6.5%) which we have since covered. Despite the weak market, some of our Australian longs also did surprisingly well with Irongate Group (IAP, +3.2%) and Eureka Group (EGH, +5.6%) leading the way. Overall, our positions on both sides of the ledger in Australia added +0.19% in a solid validation of the Fund's strategy.

There was an unusually tight dispersion of positive and negative contributions from NZ in the period, with there being very few movements of great note. Underweights in declining names such as Argosy Property (ARG, -2.8%) and Precinct Property (PCT, -2.0%) were moderately helpful but largely offset by a small underweight in Kiwi Property (KPG, +5.7%). Our modest holding in the deeply undervalued Covid-19 re-opening play, Millennium & Copthorne Hotels (MCK, -6.1%) was a small drag.



Matthew Goodson, CFA