



Funds Management

## Salt Enhanced Property Fund Fact Sheet – April 2019

### 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 30 April 2019

<b>Benchmark</b>	S&P/NZX All Real Estate Gross Index
<b>Fund Assets</b>	\$7.6 million
<b>Inception Date</b>	11 November 2014
<b>Portfolio Manager</b>	Matthew Goodson, CFA
<b>Associate PM/Analyst</b>	Andrew Bolland, CFA

### Unit Price at 30 April 2019

<b>Application</b>	1.5954
<b>Redemption</b>	1.5890

### Investment Limits

The limits for the Enhanced Property Fund are shown below:

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

<sup>1</sup>To NZ and Australian property and property related securities.

### Fund Exposures at 30 April 2019

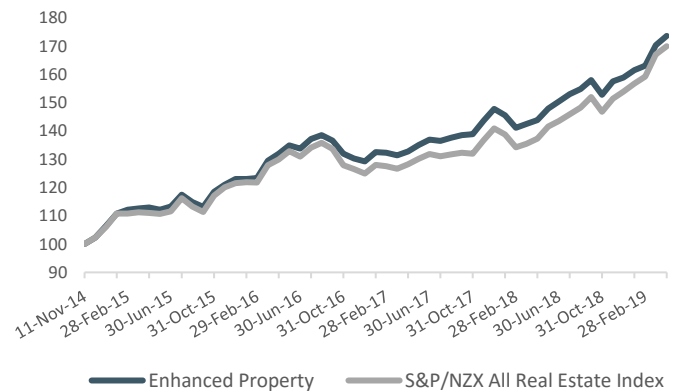
<b>Long Exposure</b>	98.12%
<b>Short Exposure</b>	9.94%
<b>Gross Equity Exposure</b>	108.07%
<b>Net Equity Exposure</b>	88.18%

### Fund Performance to 30 April 2019

Period	Fund Return	Benchmark Return
<b>1 month</b>	1.87%	1.76%
<b>3 months</b>	7.43%	8.46%
<b>6 months</b>	13.57%	16.59%
<b>1 year p.a.</b>	20.66%	24.65%
<b>2 years p.a.</b>	14.30%	15.50%
<b>3 years p.a.</b>	9.56%	9.60%
<b>Inception p.a.</b>	13.12%	12.76%

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

### Cumulative Fund Performance to 30 April 2019



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 30 April 2019

<b>NZ Listed Property Shares</b>	90.44%
<b>AU Listed Property Shares</b>	0.39%
<b>Cash</b>	9.17%

Top Overweights	Top Underweights/Shorts
Centuria Metropolitan REIT	Property for Industry
Investore Property	Kiwi Property Group
Asset Plus	Goodman Property Trust
Unibail-Rodamco-Westfield/CDI	Argosy Property Trust
Garda Capital Group	Charter Hall Group

SALT FUNDS MANAGEMENT

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## Monthly Property Market Commentary

### Summary

- The Fund rose +1.87% for April after all fees and expenses for the month.
- The S&P/NZX All Real Estate Gross Index rose by 1.76% in the month.
- The Fund's gross positioning rose slightly from 109% to 112% over the quarter as volatility threw up opportunities.

The S&P/NZX All Real Estate Gross Index struggled to back up its impressive March gains, but still managed to produce a positive return in April rising by 1.76%, its sixth consecutive monthly advance. This represented a marked difference to the Australian benchmark which was the worst performing Real Estate Investment Trust (REIT) sector globally and fell -2.6%. That market saw a surge in negative sentiment towards retail REITs, and unlike recent months, a favourable market outlook for office and industrial assets failed to offset this. Looking globally, the FTSE EPRA/NAREIT index fell by -1.7%. NZ bond yields rose slightly to 1.91% from their end-March lows of 1.76%.

In New Zealand, the largest piece of news in April was delivered by Vital Healthcare (VHP.NZ, -1.6%) as they released preliminary details around a proposal to change their management fees and governance structure. While total fees paid by VHP to the manager NorthWest Healthcare are initially reduced, clarity is yet to be provided regarding a possible material transaction for VHP to acquire a portion of the much talked about Healthscope assets.

The strongest performers in New Zealand were Kiwi Property Group (KPG.NZ, +3.7%) and Argosy Property Limited (ARG.NZ, +2.73%) who continued their strong performance on a year-to-date basis. The only notable laggard was the aforementioned VHP.

Looking ahead, the market's attention will turn to the local reporting season in May which sees seven NZ REITs deliver their financial results. Particular focus will be on the achieved levels of rental growth in the office and industrial sectors, where strong conditions are yet to uniformly feed through to the operating performance of the NZ REITs.

### Monthly Fund Commentary

The Fund slightly outperformed its benchmark in April, rising by +1.87% compared to the +1.76% gain by the Index.

With most NZ names rising modestly in the month, headwinds came across the board from our NZ underweights, which were led by Property For Industry (PFI, +2.1%). The advance of Kiwi Property (KPG, +3.7%) bucked the sharp weakness in its Australian retail peers and it will be interesting to see if its performance can be sustained, especially given major imminent supply expansion in Auckland.

Despite the Australian market being weak, three of our key positives came from there. Unibail Rodamco Westfield (URW, +5.7%) sharply outperformed the sector thanks to a solid result lending credence to our view that ultra-premium shopping centres are under far less pressure than their lower quality peers. Garda Property (GDF, +6.1%) rose strongly on no news of note and our large holding in Centuria Metropolitan REIT (CMA, +1.6%) continued to grind higher.

The collective contribution of the Fund's shorts came in at a positive +0.11% as one might expect given the downdraft in Australia. Overall, with our Australian longs also doing well, that market contributed a solid +0.35% to performance.

Gross exposure fell from 112% to 108% in the month as several positions reached targeted levels. Net positioning fell sharply from 95% to 90%, which reflects both the remorseless rise of NZ to lofty levels and a desire for headroom to participate in anticipated equity raisings. The Fund took part in the Dexu raising at month-end and also initiated a modest position in Peet Limited (PPC), which is at a material discount to our assessment of Net Asset Value and may offer considerable upside in the future when investors begin to search out an end to the residential downturn. PPC has a heavy weighting to the relatively more attractive Melbourne market. We exited Charter Hall Education and our weightings declined in Goodman Property Trust, Kiwi Property, Precinct, Centuria Metro and Unibail. From the short side, we covered Charter Hall Retail and initiated a new position in Charter Hall Long Wale REIT. Theoretically the very long duration assets in Investore (IPL, +6.5%) should have done better than their peers in a quarter when bond yields collapsed. However, this was not to be and IPL remains below a slightly dated NTA as a time when it has sold one or two of its weaker assets at well above NTA.

The large overweight in Centuria Metropolitan REIT (CMA, +7.3%) ground its way higher as it continued to shake off the overhang of their equity raising back in October. We remain attracted to their late-cycle exposure to non-CBD office property and they continue to stand out strongly in our relative valuation model both in terms of income and asset valuation metrics.

The Fund's gross positioning rose slightly from 109% to 112% over the quarter as volatility threw up opportunities. The net rose slightly from 92.4% to 95.2% but has dropped back again post quarter end. The Fund participated aggressively in the Precinct Property equity raising at \$1.48 to move from under to overweight. We lifted the underweight in Kiwi Property into strength as it defied concerns in other markets regarding retail assets and will soon face sharply heightened competition in Auckland. We had closed some of the underweights in Goodman Property and Property For Industry prior to their sharp increases. The Fund lightened the Unibail position into strength and exited Abacus, Elanor Retail Fund and Villa World (unfortunately prior to the takeover bid). We covered shorts in Goodman Group and Vicinity, while new shorts were initiated in Charter Hall Retail (since covered), Growthpoint, Mirvac and Scentre.