



Funds Management

## Salt Enhanced Property Fund Fact Sheet – January 2018

### 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 2018

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	\$5.3 million
Inception Date	11 November 2014
Portfolio Manager	Matthew Goodson, CFA
Associate PM/Analyst	Andrew Bolland, CFA

### Unit Price at 31 January 2018

Application	1.3992
Redemption	1.3935

### 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%

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

### Fund Exposures at 31 January 2018

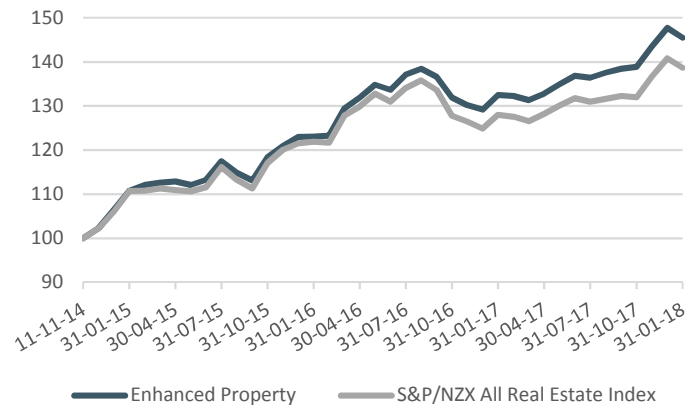
Long Exposure	101.01%
Short Exposure	-6.48%
Gross Equity Exposure	107.49%
Net Equity Exposure	94.53%

### Fund Performance to 31 January 2018

Period	Fund Return	Benchmark Return
1 month	-1.50%	-1.53%
3 months	4.79%	5.07%
6 months	6.67%	5.86%
1 year p.a.	9.80%	8.32%
2 years p.a.	8.75%	6.66%
3 years p.a.	9.50%	7.77%
Inception p.a.	12.34%	10.66%

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

### Cumulative Fund Performance to 31 January 2018



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 2018

NZ Listed Property Shares	88.15%
AU Listed Property Shares	6.55%
Cash	5.30%

Top Overweights	Top Underweights/Shorts
Centuria Metropolitan REIT	Property for Industry
Investore Property	Goodman Property Trust
Viva Energy REIT	Precinct Properties
NPT Ltd	Argosy Property Trust
Garda Diversified Property Fund	BWP Trust (short)

SALT FUNDS MANAGEMENT

Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143

P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

### Monthly Property Market Commentary

January saw the S&P/NZX All Real Estate Gross Index decline by -1.53% as rising global bond yields placed the sector under a degree of pressure around the world. The NZ decline was of lesser magnitude than the Australian Index's -3.2% but it was slightly greater than the global FTSE EPRA/NAREIT Index (-0.8%).

Benchmark US 10-year yields rose sharply from 2.41% to 2.71% on a combination of signs of incipient inflation pressure, a gradual pullback from QE by central banks, and a sharp easing in US fiscal policy at a time when their economy is close to full capacity. NZ bond yields rose a lesser amount from 2.75% to 2.93%, with a weak December quarter CPI pushing back expectations of when the RBNZ might tighten policy.

Specific property company news was sparse in what is a quiet month for markets. Investore Property (IPL) sold a Queenstown supermarket asset at a very sharp yield of 4.8%, with this being a 12% premium to book value. This bodes well for IPL's upcoming valuation review.

NZ property share price performance was tightly clustered across the month, with Stride Property (SPG, +0.6%) being the only positive while Investore (IPL, -3.3%) and Precinct Properties (PCT, -2.9%) brought up the tail.

### Monthly Fund Commentary

The Fund performed in line with the Index in the month, returning -1.50% after all fees and expenses compared to the -1.53% of the benchmark.

In a negative month for the sector, the Fund's ability to short sell was most helpful, with the small group of six Australian shorts collectively adding +0.23% to returns. Standouts included Dexus Property (DXS, -2.3%), Bunnings Warehouse Property (BWP, -2.9%) and Goodman Group (GMG, -3.9%).

However, these shorts did not quite offset the headwind of -0.34% from our longs in that market during the month. Garda Capital Group (GCM, -9.0%), Aventus Retail Property (AVN, -3.6%) and Viva Energy REIT (VVR, -5.0%) were the three notable Australian laggards in that market. Another notable headwind for the Fund came from the overweight in Investore Property (IPL, -3.3%) which trailed the NZ index after very strong performance in the prior several months.

Key positive contributions came from the Fund's series of underweights in most other NZ names. Precinct Properties (PCT, -2.9%) was the standout in this respect. A rare overweight which added to returns in a negative month was the long-standing holding in Millennium and Copthorne Hotels (MCK, +5.9%). Immediately after month-end, MCK reported a strong set of results, with the highlight being a NTA of \$4.15 compared to the closing share price of \$2.89 thanks to a very strong series of hotel revaluations.

Portfolio changes were relatively limited but saw the Fund use weakness to add to Precinct Properties and Abacus Property. We lightened the Stride Property holding following its outperformance, added to the Dexus short and covered Mirvac.

The Fund's net position was little changed at 94.5% but the gross position remains very low at 107.5% as we await greater performance and valuation dispersion for opportunities from each of the long and short sides.