Salt Core NZ Shares Fund Fact Sheet – March 2023

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 Core NZ Shares Fund targets a portfolio of shares of New Zealand companies that may, in our opinion, provide a high total return. The Fund may also invest opportunistically in shares of Australian companies.

The Fund's investment process has been designed to facilitate selection of stocks such that the overall portfolio generates an above market total return after each stock is qualified through a number of quality and sustainability screens generated by Salt's disciplined research effort.

Fund Facts at 31 March 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$44 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 March 2023

Application	0.9298
Redemption	0.926

Investment Guidelines

The guidelines for the Salt Core NZ Shares Fund are shown below:

NZ shares	50% – 100%
Australian Shares	0% – 50%
Unlisted securities	0% – 3%
Cash or cash equivalents	0% - 20%

Target investment Mix

The target investment mix for the Salt Core NZ Shares Fund is:

Australasian Equities	100%

Fund Allocation at 31 March 2023

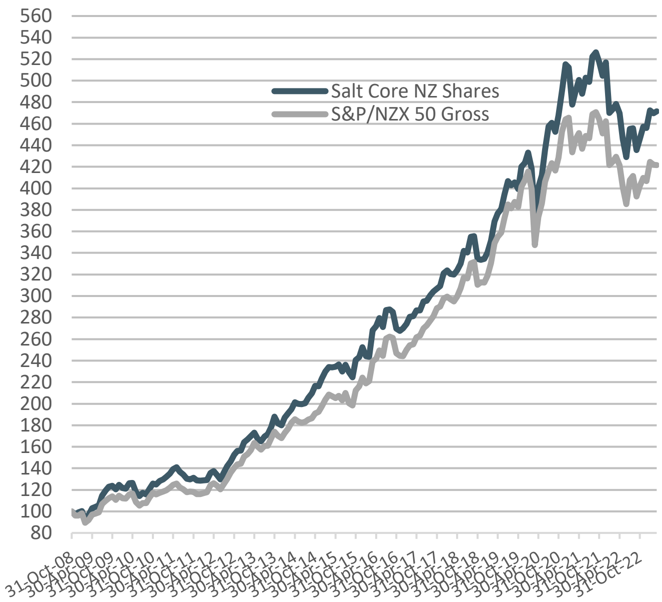
NZ shares	94.86%
Australian Shares	0.75%
Cash or cash equivalents	4.39%

Fund Performance to 31 March 2023

Period	Fund Return*	Benchmark Return
1 month	0.39%	-0.08%
3 months	3.38%	3.59%
6 months	8.27%	7.41%
1-year p.a.	-1.41%	-1.85%
2 years p.a.	-1.85%	-2.72%
3 years p.a.	8.14%	6.65%
5 years p.a.	8.06%	7.40%
7 years p.a.	8.39%	8.41%
10 years p.a.	10.76%	10.39%
Inception p.a.	10.64%	9.74%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 December 2009 to 30 December 2020, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 31 March 2023*



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.

Top Overweights	Top Underweights
Spark NZ	Auckland International Airport
Fisher & Paykel Healthcare	Meridian Energy
Infratil	Genesis Energy
Mainfreight	Chorus Networks
Pacific Edge	Property for Industry

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Equities Market Commentary

Global growth generally surprised to the upside in 1Q23 enabled by lower energy prices and reflected in upbeat purchasing manager indices in Europe and the USA. Lower oil prices saw headline inflation rates ease but core inflation remains stickier, so central banks continued to tighten. Global equity markets were strong, with the MSIC World Index advancing +7.7% although it was down -7.0% over the year.

The collapse of Silicon Valley Bank and Signature Bank in March drove a swift response from policy makers amidst a brief bout of financial sector volatility. We see these issues as due to idiosyncratic factors relevant to each institution, where they made an ill-fated reach for long duration yield funded by callable deposits. It does show the lags between monetary policy actions and their impact being felt is just as relevant to the finance sector as it is to the real economy.

The US labour market remained resilient although the unemployment rate ticked higher and wage growth is moderating. The Federal Reserve hiked 25bp in March to a target range of 4.75%-5.00% but left the projected terminal rate at 5.1%. Similarly, the ECB hiked its deposit rate by 50bp, with the next move data dependent. The abandonment of China's Covid-zero policy led to a sharp rebound in economic activity, while inflation has remained surprisingly in check. 2023 is the first time in four years that economic, regulatory and Covid policies have been aligned in a pro-growth manner.

Recent Australian data has been mixed with GDP surprising to the downside, but the labour market continuing to surprise on the upside. The RBA hiked interest rates by 25 bp in February but paused the hiking cycle in early-April.

The RBNZ remained resolute in raising the OCR by 50bp to 4.75% in February despite the devastation wrought by Cyclone Gabrielle. December quarter 2022 GDP came in significantly weaker than expected. While possible still reflecting Covid "noise", there are clear signs in the data that tighter monetary conditions are starting to bite.

Salt Core NZ Shares Fund Commentary

The March quarter saw the NZX50 Gross rise rapidly in January and then spend the next two months trying its best to hang on to those gains in the face of macro-economic pressures and cautious outlook commentaries. The Fund slightly underperformed its benchmark over this surprisingly strong March quarter performance, rising +3.38% compared to the +3.59% return of the NZX50 Gross Index.

The Fund's performance was anchored by the strong return from its holding in Fisher & Paykel Healthcare (+17.9%) as investors focused on the company's longer term growth prospects having put the Covid-19 inventory build-up behind it. Solid performances from other key overweights such as Infratil (+6.3%), EBOS (+7.2%) and Mainfreight (+3.7%) which all reported good profit updates over the quarter and benefited from investor demand for quality defensive businesses.

Significant weakness in A2Milk (15.5%), Synlait (-40.0%), Scales (-17.7%), and Arvida (-18.4%) benefited the relative performance, with the Fund holding much less of these companies than their weights in the benchmark. The Fund's relative performance was also assisted by holding little exposure to the bank sector that was impacted by the collapses of SVB and Credit Suisse. Westpac (-6.3%) Heartland (-9.1%) and ANZ (-2.1%) all finished down for the quarter.

The main headwind for the Fund over the came the strong performance of Auckland Airport (+11.4%), The Fund is underweight this company based on valuation. Whilst there is potential for some upside from a review of the airport's regulated assets, this will likely only match cost of capital at best and will be largely offset by their growing interest expense.

As we have mentioned in previous commentary, the devastating impact of Cyclone Gabrielle did not have a large impact on the Fund. There is no holding in Scales (-17.8%) although the overweight in Tower (-9.7%) did weigh to some degree. Tower's reinsurance arrangements are robust, but the cost of the deductible and reinstatement of new coverage saw a downgrade to this year's guidance. Future premia are expected to rise sharply, leaving Tower very well placed if they can ever get a quiet claims year.

The quarter was also a busy period for the Fund with many stocks reaching their price targets. Early in the quarter, the Manager topped up the holdings in Goodman Property, Fisher & Paykel, Kathmandu, and Spark as well as beginning to build a position in ANZ Bank. The Manager also took the opportunity to sell some stocks into strength such as Meridian, Contact Energy, A2 Milk, Ebos and Investor Property. The Fund also participated in the large RYM capital raising.

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