Salt NZ Dividend Appreciation Fund Fact Sheet – May 2022

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 NZ Dividend Appreciation Fund targets a portfolio of shares of New Zealand companies that may, in our opinion, pay high and sustainable dividends. A considerable body of robust research suggests that stocks with strong and sustained dividend policies tend to generate higher free cash flow than average and outperform their index benchmarks over time. The strategy is not intended to naively generate the highest possible yield but rather to generate a high and sustainable dividend yield.

Fund Facts at 31 May 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$109 million
Inception Date	30 September 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 May 2022

Application	1.5795
Redemption	1.5731

Investment Guidelines

The guidelines for the NZ Dividend Appreciation Fund are shown below:

NZ shares	95% – 100%
Cash	0% – 5%
Unlisted securities	0% – 5%
Maximum active position	8%

Target investment Mix

The target investment mix for the Salt Dividend Appreciation Fund is:

Australasian Equities	100%

Fund Allocation at 31 May 2022

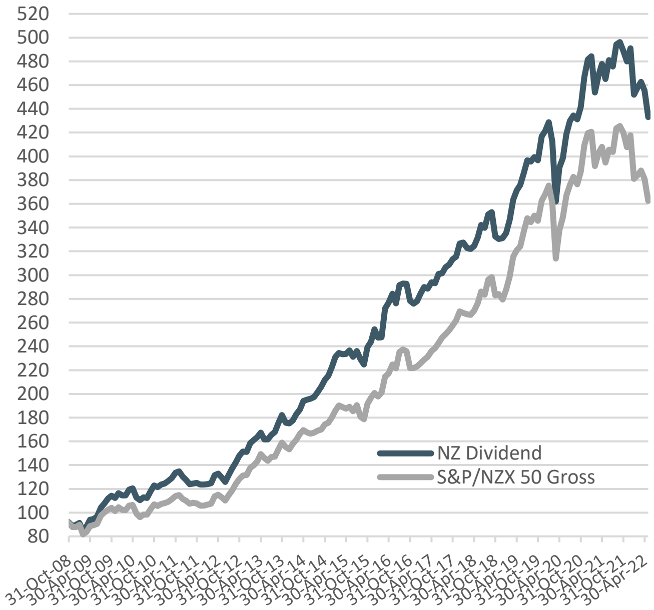
NZ shares	99.13%
Cash	0.87%

Fund Performance to 31 May 2022

Period	Fund Return*	Benchmark Return
1 month	-4.90%	-4.85%
3 months	-5.41%	-5.59%
6 months	-9.79%	-11.09%
1 year	-6.89%	-8.22%
2-year p.a.	4.24%	1.93%
3 years p.a.	4.83%	3.78%
5 years p.a.	8.09%	8.79%
7 years p.a.	9.00%	9.89%
10 years p.a.	12.82%	12.48%
Inception p.a.	11.31%	9.96%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 November 2008 to 30 September 2015, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 31 May 2022*



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
Tower	Auckland International Airport
Turners Automotive	Ryman Healthcare
Marsden Maritime Holdings	Goodman Property Trust
Fletcher Building	Contact Energy
Freightways	Vital Healthcare Property Trust

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

Equities Market Commentary

Global equity markets ended May broadly flat, although it was a winding path to get there. Key macro risks remain at the forefront, including Ukraine, weak Chinese data, and further tightening in monetary policy in many countries.

Central banks continue to play catch-up with inflation. Labour markets remain tight but negative real wage growth is squeezing household incomes. Margins are coming under pressure, with pricing power becoming an increasingly important factor in relative equity performance.

The US Fed's 50bp hike was well-signalled. Hawkish commentary from various governors saw markets price in further 50bp hikes. We expect two further 50bp hikes in June and July before the FOMC slows the pace back to 25bp increases. European consumer confidence is low but business confidence is resilient, which will give the ECB confidence to deliver a first interest rate increase in July and end asset purchases during Q3.

In China, Shanghai remained in lock-down but an easing of restrictions will likely gather pace over June. Credit growth eased as banks became concerned about the deteriorating economic outlook, prompting an easing in a key mortgage rate. The RBA raised the cash rate 25bps to 0.35%. Solid economic fundamentals and building inflationary pressures point to a step up to 50bp hikes. As largely expected, Labour won the Federal election.

The RBNZ hiked by 50bp to 2.0% on 25 May and we expect a 50bp hike in July, after which the RBNZ will likely slow the pace of rate hikes to 25bps for a terminal rate of 3.0-3.5%. Markets are currently pricing in 4.0%, so much will depend on economic outcomes over winter.

Salt NZ Dividend Fund Commentary

The Fund performed largely in line with the very weak NZ market in the month of May, declining by -4.90% compared to the -4.85% delivered by the S&P/NZX50 Gross Index. This was perhaps disappointing given the low beta nature of the Fund but was driven by a couple of left-field price moves and the selling being quite widespread across stocks irrespective of their individual characteristics.

The largest headwinds came from two moderate overweights in the cyclical plays Fletcher Building (FBU, -12.4%) and Freightways (FRE, -10.4%). This was driven by rising gloom about the NZ economic outlook rather than any company specific news and we still view both as attractive on a through-the-cycle basis. Turners (TRA, -5.7%) was similarly weak despite a highly creditable result.

Left-field headwinds came from our underweight in Pushpay (PPH, +10.6%) where a potential suitor bought a stake, quelling scepticism over how real the potential corporate interest was. Ryman Healthcare (RYM, +8.6%) also gyrated unusually on its removal from the MSCI Large Cap Index. Their outlook remains difficult given a geared balance sheet and a slowing housing market.

Unsurprisingly in a negative month, the largest positive contributions came from a range of underweights and zero-weights. Air NZ (AIR, -27.7%) fell following its long-awaited equity raising; Pacific Edge Biotechnology (PEB, -21.1%) continued to be caught by global weakness in biotech companies; Serko (SKO, -29.0%) was hit by general tech company weakness; while Mercury (MCY, -9.2%) and ERoad (ERD, -24.8%) also lagged.

Matthew Goodson, CFA