Salt NZ Dividend Appreciation Fund Fact Sheet – November 2020

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 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 30 November 2020

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$102 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 November 2020

Application	1.781
Redemption	1.7738

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 30 November 2020

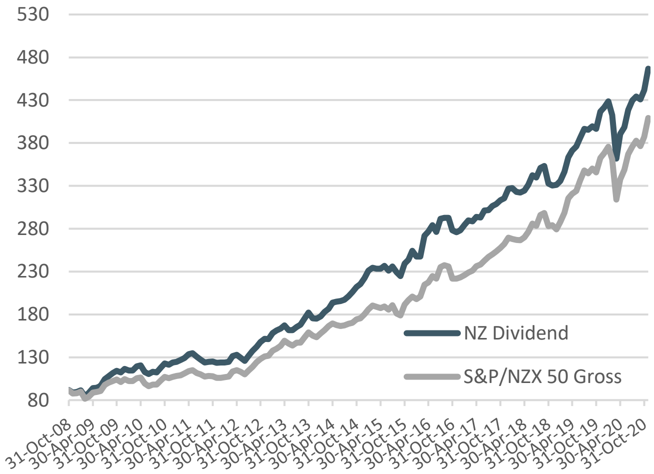
NZ shares	98.40%
Cash	1.60%

Fund Performance to 30 November 2020

Period	Fund Return*	Benchmark Return
1 month	5.68%	5.66%
3 months	7.47%	6.96%
6 months	17.11%	17.33%
1 year	11.95%	12.83%
2-year p.a.	18.83%	20.29%
3 years p.a.	13.90%	15.97%
5 years p.a.	13.84%	15.92%
7 years p.a.	14.97%	15.02%
10 years p.a.	14.40%	14.61%
Inception p.a.	13.49%	12.37%

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

Cumulative Fund Performance to 30 November 2020*



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	Goodman Property Trust
Spark NZ	Ports of Tauranga
Marsden Maritime Holdings	Meridian Energy
Oceania	Genesis Energy

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NZ Market Commentary

Stocks globally had a stellar month, with double digit returns seen in most developed equity markets. The MSCI World Accumulation Index rose +12.8%, lifting the year to date return into positive territory (+11.2%).

US markets surged, with the S&P500 recording its best November ever (+10.8%) whilst the Dow Jones Industrial Average notched its biggest monthly gain since 1987 (+11.8%). The market started off a touch weak as it waited for the presidential election to play out and as Covid-19 cases accelerated. Markets drifted higher as it became clearer Biden would win. Result season also helped, with 87% of companies beating consensus EPS forecasts. Market highs were driven by positive results from three highly effective Covid-19 vaccines under accelerated development. Meanwhile, markets need to contend with the near-term impact of Covid-19 on the economy in the absence of more immediate fiscal stimulus.

Bullishness swept the European continent fuelled by a compelling mix of further stimulus by the Bank of England and European Central Bank and the outlook for vaccines. Markets posted impressive returns in the month with the UK's FTSE100 added +12.7%, Germanys DAX 30 +15% and France's CAC +20%. Asian markets were up strongly with Japan, South Korea and Singapore all posting mid-teen returns while China's Shanghai Composite lagged with 'just' +5.6%.

It was a record month for Australian equities posting the strongest returns for November in 30 years. The S&P/ASX200 surged 10.2% higher as investors rotated into domestic cyclicals and value stocks on higher bond yields and as state borders were set to reopen given falling Covid19 cases. Trade tensions however escalated with China making life hard for coal and wine exporters.

In New Zealand, the S&P/NZX50 Gross rose +5.7%, led by Fletcher Building (+37%) on a strong earnings update, Air New Zealand (+28%) on vaccine optimism, and Meridian Energy (+21%) on persistent clean energy fund ETF buying. The most notable detractors were Pushpay (-22%) on slowing customer growth and Sanford (-8%) on weak earnings.

Salt NZ Dividend Fund Commentary

The Fund pleasingly kept pace with its benchmark in what was a very strong month for markets in November, returning +5.68% compared to the +5.66% turned in by the S&P/NZX50 Gross Index. The Fund's low beta nature might normally see it lag in such a strong month but this was offset by a powerful move towards cyclical and value stocks which have a moderate degree of overlap with Fund.

The strongest positive contributor was Turners (TRA, +9.1%) whose high yield and diversified growth outlook make it a natural fit for the Fund. Their result and guidance delivered near month-end were solid. TRA is benefitting from a very strong credit performance in their finance book and strong margins are more than offsetting a shortage of used cars.

A second key tailwind came from last month's largest laggard - Tower Limited (TWR, +6.1%). It had previously fallen for no obvious reasons and they delivered a strong result and settled the land remediation dispute with the EQC that they had been carrying as an asset on their balance sheet for some years. Their 5% profit growth guidance struck us as a little light given their 5% GWP growth expectations and further cost reductions but this likely reflects a mix of lower investment earnings and low-balling. TWR now has an extremely cashed up balance sheet which gives them plenty of capacity for bolt-on growth such as the small Club Marine deal announced after month-end.

Other contributors included small positions in Millennium & Copthorne Hotels (MCK, +28.1%) and Asset Plus (APL, +8.2%). Overweights in Infratil (IFT, +11.3%) and Freightways (FRE, +10.7%) assisted as did underweights in Pushpay (PPH, -22.2%) and Goodman Property (GMT, -3.2%).

The largest headwind came from our underweight in Meridian Energy (MEL, +21.3%). MEL is fundamentally expensive both in itself and relative to its listed peers. However, this has been accentuated by its inclusion in the S&P Global Clean Energy Index with a weighting of around 5%. Two huge clean energy ETF's are benchmarked to this index, with these having grown from US$2.5bn to US$5.5bn since the election of Joe Biden. Broker estimates now suggest that these clean energy passive funds alone hold 7-8% of MEL's free float.

Other headwinds of note came from underweights in Auckland Airport (AIA, +11.1%), Air NZ (+28.2%) and Fletcher Building (FBU, +36.6%).

Matthew Goodson, CFA