Salt Core NZ Shares Fund Fact Sheet – July 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 July 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$45 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 July 2023

Application	0.9221
Redemption	0.9183

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 July 2023

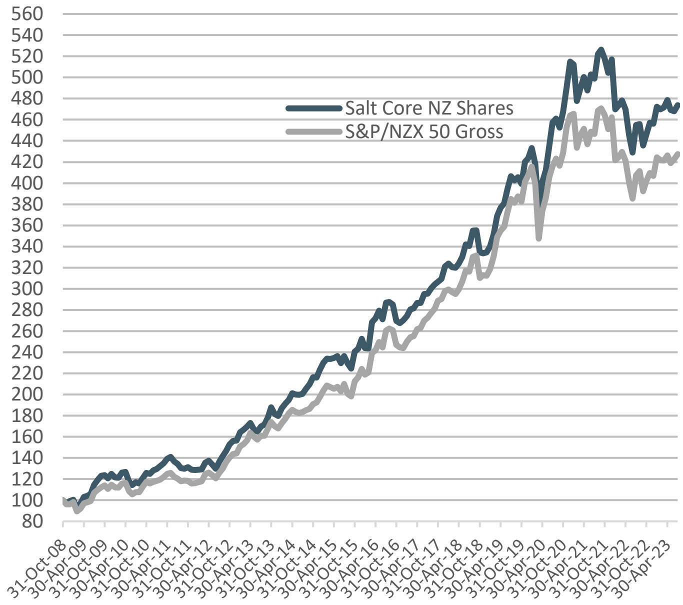
NZ shares	92.20%
Australian Shares	1.89%
Cash or cash equivalents	5.92%

Fund Performance to 31 July 2023

Period	Fund Return*	Benchmark Return
1 month	1.25%	1.17%
3 months	-1.03%	0.29%
6 months	0.30%	0.73%
1 year	4.10%	4.90%
2 years p.a.	-2.55%	-2.16%
3 years p.a.	1.17%	0.93%
5 years p.a.	6.83%	6.21%
7 years p.a.	7.43%	7.33%
10 years p.a.	10.81%	10.26%
Inception p.a.	10.42%	9.61%

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 July 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
Infratil	Auckland International Airport
Fisher & Paykel Healthcare	Meridian Energy
Freightways	Genesis Energy
Spark	Property for Industry
Mainfreight	Chorus Networks

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
Email: info@saltfunds.co.nz | www.saltfunds.co.nz

Equities Market Commentary

Market sentiment remained positive in July as inflation continued to ebb and activity proved resilient. This supported a positive soft-landing narrative. Global stocks performed well, with the MSCI World delivering a 3.4% return (in USD).

US data saw the June CPI came in below expectations at 3.0% y/y, though core inflation remained sticky at 4.8% y/y. GDP growth surprised to the upside at 2.4% (q/q annualised), though the weakest part of the cycle is yet to come. The Federal Reserve raised its key policy rate by 25bp to 5.25-5.50% during the month, with markets signalling this as the likely peak in rates.

The ECB likewise raised their key deposit rate 25bp, taking it to 3.75%. However, the messaging was dovish, reflecting lower inflation and weakening activity data. Japanese inflation remained strong in June, with CPI ex fresh food and energy +4.2% y/y. The BoJ further tweaked its Yield Curve Control policy by shifting from a rigid 0.5% upper limit on 10-year government bonds to a “reference point” of 1%. Given its importance to funding the “carry trade”, Japan will be important to watch.

Australia has an ongoing battle between inflation that is slowing, but still too high, and the still tight labour market. The June quarter CPI came in below expectations at 6.0% y/y for the headline rate and 5.9% y/y for core (trimmed mean). The unemployment rate was 3.5% in June and slightly stronger than anticipated. This is now 0.4%pts lower than when the RBA began to hike rates. However, the RBA paused on rate hikes at its July meeting and in early August.

NZ headline inflation came in at 6.0% y/y in the June quarter, down from 6.7% y/y in March but the more problematic non-tradeable measure came in at 6.6% y/y. The economy has already seen a technical recession, with the weakest point in the cycle yet to come. We think the RBNZ has tightened enough, but Q2 labour market data due in early August will be critical to that view.

Salt Core NZ Shares Fund Commentary

The Fund outperformed its benchmark over the month of July with a return of +1.25% versus the NZX50 Gross index return of +1.17%.

The most notable performance came from Pacific Edge (+54.0%) which bounced after the announcement that the Associate General Counsel of the US Department of Health and Human Services had put a hold on the changes to reimbursement methodology proposed by Novitas. Novitas has now been required to initiate a consultation process to allow companies such as Pacific Edge the opportunity to respond to the assumptions that Novitas has based its decision upon.

Some of the Fund’s core holdings lost ground compared the benchmark with Infratil (-2.0%), CSL (-3.2%), and Coles (-1.3%) recording lacklustre returns over the month.

The Manager had increased the Fund’s exposure to Freightways (+2.9%) after it had slid almost 12% over the June quarter. Freightways will be reporting its full year results in August, and its outlook commentary will be keenly awaited.

Other good contributions to the Fund came from ANZ Bank (+7.8%), Spark (+1.8%), Summerset (7.4%), Ryman (+3.5%), and Contact Energy (+2.6%) which all outperformed their peer groups.

The Fund has been underweighting the listed property sector due to the sizable impact that sharp increases in interest rates are having on property valuations and the weak economy creating a mixed demand outlook. However, despite these pressures, the NZX Real Estate Index rose +4.5% in July after its remarkable 3.1% bounce in the June quarter. The performance of the Fund’s Argosy Property overweight (+9.4%) helped offset some of this sector positioning headwind.

Paul Harrison, MBA, CA