Salt NZ Dividend Appreciation Fund Fact Sheet – March 2021

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 31 March 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$101 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 March 2021

Application	1.7847
Redemption	1.7775

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 March 2021

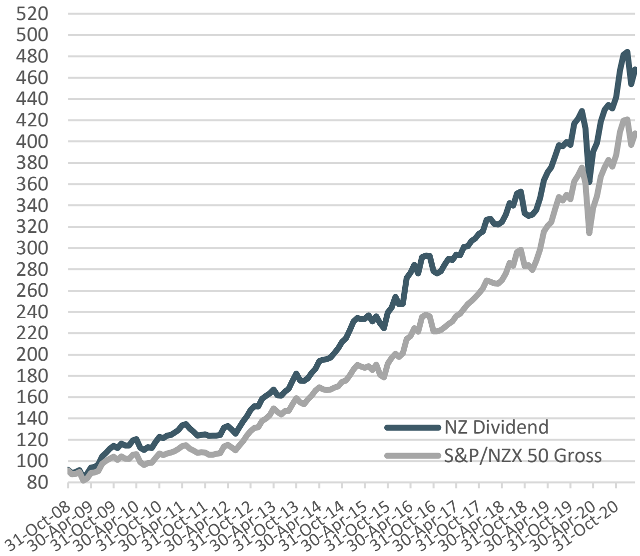
NZ shares	99.23%
Cash	0.77%

Fund Performance to 31 March 2021

Period	Fund Return*	Benchmark Return
1 month	3.05%	2.73%
3 months	-2.89%	-4.06%
6 months	8.51%	6.92%
1 year	29.24%	28.21%
2-year p.a.	13.40%	12.95%
3 years p.a.	13.21%	14.72%
5 years p.a.	11.45%	13.22%
7 years p.a.	14.01%	13.62%
10 years p.a.	13.72%	13.83%
Inception p.a.	13.13%	11.87%

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 31 March 2021*



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	Ryman Healthcare
Turners Automotive	Ports of Tauranga
Spark NZ	Goodman Property Trust
Marsden Maritime Holdings	Genesis Energy
Oceania	Z Energy

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

SALT

Monthly Equities Market Commentary

Global equities were mostly in "risk on" mode during the quarter, with the MSCI World Accumulation Index clawing back January's loss through February and March to end the quarter up +4.9%.

Markets priced in President Biden's win and expected policy agenda with a push into climate friendly technology, $1.9tn of stimulus and likely more on infrastructure investment. This also spurred a rotation into cyclical stocks for the "reopening" post-Covid as well as selling in long duration growth stocks that become less favoured with rising bond yields.

US stocks had a solid quarter and earnings season, with the more cyclically oriented S&P500 (+5.8%) outperforming the Nasdaq (+2.8%). US Treasury yields rose sharply from 0.91% to 1.73% over the quarter as did most commodities. The US observed a peak in Covid-19 hospitalisations and daily case numbers in early January and went from nearly zero vaccinated to nearly 20% fully vaccinated and over 30% at a rate of over 3 million people a day.

European and UK stocks had a bumper March to round out a solid quarter. Whilst still struggling to contain Covid-19 and a slower start to the vaccine rollout, the continent seems to be building momentum post a solid results season and as vaccines steadily ramp. The UK's FTSE100 added +5.0%, Germany's DAX30 +9.4% and France's CAC +9.6%.

Markets in Asia marched to the beat of their own drum. Japan's Nikkei (+6.3%) and Hong Kong's Hang Seng (+4.2%) outperformed the Shanghai Composite (-0.9%) given the perceived deceleration in China's economic growth outlook.

Australia's S&P/ASX200 rose +4.3%. The strongest sectors were Banks and the biggest detractor was the Technology sector on the rotation to Value from Growth and lift in bond yields. The housing market is rebounding, as building approvals and confidence indicators remain elevated.

NZ's S&P/NZX50 Gross Index bucked the trend falling -4.1% over the quarter. The best performers were Vista (+31%) on the re-opening trade, Westpac and ANZ (+29% and +27%) on lower loan provisions and the stronger macro backdrop. The biggest falls were Synlait (-35%) on the a2 Milk (-16%) downgrade and Meridian Energy and Contact Energy (-26% and -19%) on ETF flows.

Salt NZ Dividend Fund Commentary

The Fund delivered solid outperformance in the March quarter, declining by -2.89% compared to the -4.06% retreat by the S&P/NZX50 Gross Index. A couple of stand-out performers and strong overall stock selection drove the results, with there being 32 positive contributors and only 22 negatives.

A feature of the quarter was the sharp underperformance by Contact Energy (CEN, -19.4%) and Meridian Energy (MEL, -26.3%) from levels that we had regarded as overbought at the end of December. These two major NZ gentailer stocks are part of the S&P Global Clean Energy Index and have been extremely volatile since November thanks to global passive funds based on that benchmark. This Fund's exposure was largely neutral, with the loss from the CEN overweight being more than offset by the gain on the MEL underweight. These stocks will be dramatically down-weighted by S&P in April which should assist in dampening their extreme volatility thereafter.

The largest positive contribution came from the long-standing holding in Tower (TWR, +15.5%) on a trifecta of good news. They acquired the legacy ANZ Bank insurance portfolio that they have underwritten for many years in what is likely to be a highly accretive deal based on reasonable retention assumptions. We expect further examples of organic and inorganic growth as TWR deploys its excess capital. This opportunity was enhanced by the RBNZ lowering their regulatory capital overlay from $50m to $25m as strong progress has been made in settling Christchurch claims. Finally, at its ASM, TWR reiterated its earnings guidance and critically stated their intention to pay a 2.5cps interim dividend and target 6cps for the fully year. This is material on a share price that is still only $0.82 and vindicates the decision to move early on including this stock in this Fund.

The second stand-out positive came from Turners (TRA, +13.2%), which has been a key overweight for some time. This is unlikely to change given the forward PE of just 11.7x and net dividend yield of 5.5% combined with a solid growth outlook which is diversified across its various divisions. During the quarter, they lifted their guidance twice due to strong trading across their auto retail, finance and insurance businesses.

Other tailwinds were of lesser magnitude and headed by overweights in Sky City (SKC, +8.4%) and Freightways (FRE, +14.6%). Underweights in Z Energy (ZEL, -11.6%) and Chorus (CNU, -8.8%) also assisted.

Headwinds were relatively modest. Oceania Healthcare (OCA, -11.0%) pulled back after a very strong run in recent months and an equity raising to acquire new assets. It may be that the market is starting to search out a top in NZ's remarkable housing boom, with investor tax changes late in the quarter being a potential catalyst. The Fund is underweight the sector overall. Other laggards were a small overweight in Synlait Milk (SML, -34.8%) and being underweight ANZ Bank (ANZ, +27.0%), Pushpay (PPH, +14.9%) and Ports Of Tauranga (POT, +5.4%).

At quarter-end, we estimate the Fund has a forward gross dividend yield of circa 3.6%, which compares to our estimate of 2.9% for the benchmark.

Matthew Goodson, CFA