Salt Core NZ Shares Fund Fact Sheet – December 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 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 December 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$48.2 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 December 2021

Application	1.0478
Redemption	1.0435

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 December 2021

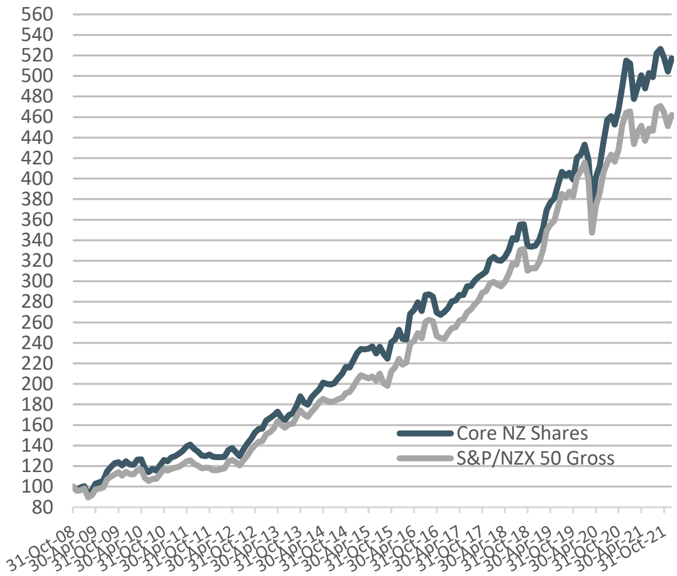
NZ shares	93.22%
Australian Shares	2.07%
Cash or cash equivalents	4.70%

Fund Performance to 31 December 2021

Period	Fund Return*	Benchmark Return
1 month	2.53%	2.48%
3 months	-1.75%	-1.82%
6 months	2.85%	3.00%
1-year p.a.	0.40%	-0.44%
2 years p.a.	10.50%	6.50%
3 years p.a.	15.63%	13.94%
5 years p.a.	13.87%	13.63%
10 years p.a.	12.75%	12.92%
Inception p.a.	14.93%	14.81%

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

Cumulative Fund Performance to 31 December 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
Pacific Edge	Ryman Healthcare
Freightways	Auckland International Airport
Spark NZ	Goodman Property Trust
Mainfreight	Z Energy
Infratil	Contact Energy

Quarterly Market Commentary

Developed market equities continued to rally in the December quarter, delivering equity investors a third consecutive calendar year of strong returns. Strong earnings growth outweighed fresh volatility as news broke of the new Omicron variant of Covid-19. Markets quickly recovered as early indications suggested Omicron was less likely to lead to serious illness. The MSCI World Index rose 7.6% (in USD) over the quarter to be +20.4% over the year.

In the USA, the CPI reached a 39-year high of 6.8% in the November year and the unemployment rate fell to 4.2%. This combination led to the "Powell pivot" which saw the word "transitory" retired from the FOMC lexicon and a faster taper of the Fed's asset purchase program, so it ends in March 2022. The S&P500 rose 11.0% over the quarter to be up 28.7% over the year. 10-year US Treasury yields fell slightly over the quarter from 1.55% to 1.52% but rose from a 1.35% low.

In Europe, a combination of factors led to a sharp rise in gas and electricity prices over the quarter, adding to already robust inflationary pressure. The ECB signalled an initial though moderate step towards less accommodative policy at its December meeting. The MSCI Europe ex-UK index rose 7.0% (in EUR) over the quarter to be +24.4% over the year.

In Japan, a contraction in Q3 GDP was followed by more robust Q4 data for retail sales, industrial output and the service sector. A supplementary fiscal package, amounting to around 6.5% of GDP, was passed just prior to Christmas and will provide support for economic activity in 2022. The TOPIX index returned -1.7% (in JPY) over the quarter and is +12.7% over the year.

The Australian economy contracted a better-than-expected -1.9% in Q3. Q4 activity data has bounced back suggesting a strong recovery and the unemployment rate fell to 4.6% in November with employment rising 366,100. However, Omicron case numbers are surging. The S&P/ASX200 rose 1.5% (in AUD) over the quarter and was +13.0% over the year.

NZ GDP contracted by less than expected in Q3 and the economy is slowly emerging from a long Auckland lockdown. Activity will rebound in Q4 but a full recovery won't be achieved until early 2022. The labour market has tightened further with the unemployment rate falling to just 3.4% in the September quarter. The RBNZ raised the OCR for the second time this cycle and signalled ongoing rate hikes ahead with a terminal rate higher than neutral. New Zealand 10-year yields rose sharply over the quarter from 1.97% to 2.37%. Despite a strong recovery during the December month, the NZX50 ended the quarter -1.8% lower and broadly flat (down -0.4%) over the year.

Salt Core NZ Shares Fund Commentary

The S&P/NZX50 Gross swung firmly into negative territory over the quarter and slid -1.82%. The Fund did a little better than its benchmark with a decline of -1.75%, outperforming by 0.07%.

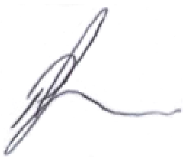
The individual share price returns were logical for some such as Ryman and Pushpay which posted disappointing updates and for interest rate sensitive gentailer sector with Genesis (-13.2%), Mercury (-5.9%), Contact (-4.1%) and Meridian -1.6%) all falling as bonds sold off. Other interest rate sensitive stocks appeared to ignore the bond sell off with the property sector (+1.6%) stocks being well sort after.

Pacific Edge was a negative contributor to the Fund's performance sliding 13.1%, as the market tried to digest an oversized capital raise undertaken during the quarter. While this has not been an ideal outcome, the company now has a large war chest to fund its future sales growth in the USA and around the world.

On the flip side, the Fund benefited from owning a smaller weighting of Ryman Healthcare (-18.3%) which fell away as the market reacted to a management commentary indicating lower development targets than in previous guidance. As mentioned in previous commentaries, the Fund holds an underweight position in the retirement sector as we are concerned with the outlook for operating cost pressures (especially wages and the availability of staff) and the cost of construction (again wages but also the cost and availability of building materials). There are also signs that rising interest rates and stricter lending policies could hinder the housing market. The fund's main exposure to this sector is via Summerset (-9.9%) which also struggled over the quarter.

The Fund benefited from good performances from its cyclical exposures in Fletcher Building (+2.1%) and Turners (+1.8%) as well as its holding in Tower (+12.3%) which posted a good update and announced a share buyback. Ebos (+16.7%) also rose strongly after undertaking a large capital raise in order to fund an accretive acquisition.

During the quarter, the Fund was a seller of Auckland International Airport, a2 Milk, Spark, and Synlait Milk, exited its holdings in Computershare and My Food Bag, and opportunistically switched some of its Mercury Energy holding for Meridian Energy.



Paul Harrison, MBA, CA