

# SALT

## Salt Core NZ Shares Fund Fact Sheet – May 2022

### 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 May 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$43 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

### Unit Price at 31 May 2022

Application	0.8931
Redemption	0.8894

### 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%
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### Fund Allocation at 31 May 2022

NZ shares	96.95%
Australian Shares	0.71%
Cash or cash equivalents	2.35%

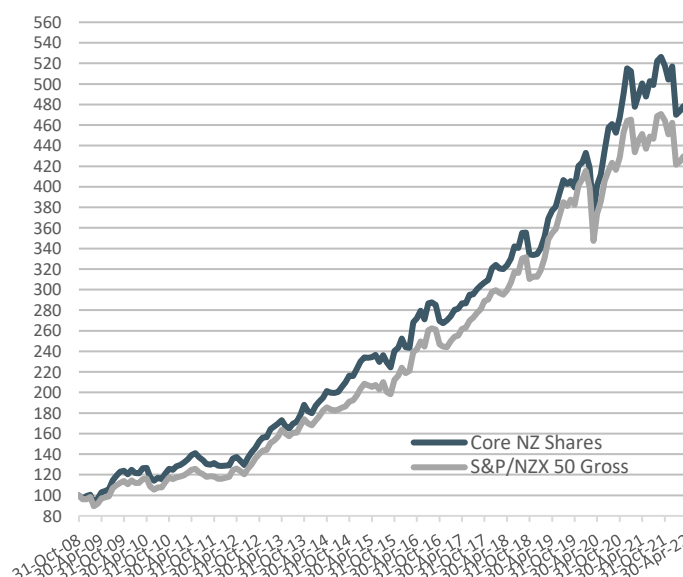
### Fund Performance to 31 May 2022

Period	Fund Return*	Benchmark Return
1 month	-5.12%	-4.85%
3 months	-5.92%	-5.59%
6 months	-11.64%	-11.09%
1-year p.a.	-8.64%	-8.22%
2 years p.a.	3.99%	1.94%
3 years p.a.	5.38%	3.78%
5 years p.a.	9.23%	8.80%
10 years p.a.	9.48%	9.89%
Inception p.a.	12.80%	12.48%

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 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
Spark NZ	Goodman Property Trust
Pacific Edge	Ryman Healthcare
Mainfreight	Genesis Energy
Infratil	Property For Industry
Summerset	Air New Zealand

### 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

## 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 Core NZ Shares Fund Commentary

**Equities markets sold off again as investors fled. On the way out the door, investors took whatever opportunity they had for liquidity regardless of fundamentals. As a result, May was a tough month for New Zealand investors with the NZ50 Gross Index finishing down 4.85% and well behind the 3.0% slid in the ASX200 Index.**

There appeared little logic between those stocks which sold off the hardest and those that were spared. However, the top performers generally had non-fundamental reasons for their strong performances with Ryman Healthcare (+8.6%) bouncing around on large investment flows driven by its removal from an MSCI index, a2 Milk (+5.7%) continuing to gyrate wildly on the back of hedge funds speculating on its potential success or failure in China, and Pushpay (+10.6%) surging on the revelation that a potential acquirer had bought a stake in the company.

Overall, the Fund was reasonably successful with most of its positioning during the month. The low exposure to property stocks avoided some downside as the NZX Real Estate Index slid 6.5%. The lower exposure to the Gentailer sector with the focus on holding more Meridian Energy (-0.8%) and less Contact Energy (-8.9%), Mercury Energy (-9.2%) and no Genesis Energy (-7.5%) also worked well. The Fund held more exposure to defensive companies with growth potential and valuation support such as Fisher & Paykel Healthcare (-2.3%), and CSL (-0.5%) and held stocks with robust earnings sources such Spark (-1.2%) and Ports of Tauranga (-1.7%).

Ultimately though, the Fund underperformed over May with a return of -5.12%. This was largely due to the weakness in Pacific Edge (-21.1%) which got hit along with other biotech stocks globally, and to a lesser extent due to the weakness in key holdings such as Mainfreight (6.6%), Infratil (-5.9%), and Summerset (-9.7%). The Manager has been cautious over the outlook for the New Zealand economy and holds only a handful of domestic cyclicals. The performance of the Fund's holdings in Freightways (-10.4%), and Fletcher Building (-12.4%) validated this caution.



Paul Harrison, MBA, CA