Salt Core NZ Shares Fund Fact Sheet – January 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 January 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$44.0 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 January 2022

Application	0.9522
Redemption	0.9483

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 January 2022

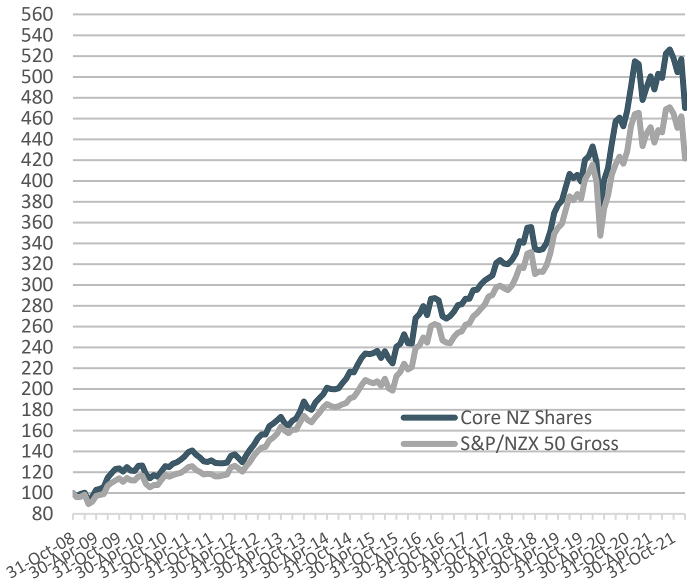
NZ shares	95.00%
Australian Shares	2.07%
Cash or cash equivalents	2.92%

Fund Performance to 31 January 2022

Period	Fund Return*	Benchmark Return
1 month	-9.12%	-8.78%
3 months	-9.23%	-9.24%
6 months	-5.79%	-5.60%
1-year p.a.	-8.26%	-9.43%
2 years p.a.	4.17%	0.73%
3 years p.a.	11.35%	9.79%
5 years p.a.	11.37%	11.02%
10 years p.a.	10.75%	10.95%
Inception p.a.	13.82%	13.69%

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 January 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
Pacific Edge	Ryman Healthcare
Brambles	Goodman Property Trust
Mainfreight	Auckland International Airport
Spark NZ	Z Energy
Infratil	Contact Energy

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Monthly Market Commentary

Following a strong 2021 it has been a rough start to 2022 for equity and bond markets. Higher inflation, concerns about central bank tightening, political tensions in eastern Europe and Omicron all contributed to market weakness in January and a sharp increase in volatility.

Many countries are seeing softer activity indicators. Much of this is Omicron-related and will prove temporary. However, we do expect lower overall global growth this year though it will remain above trend. Most central banks are shifting to a more hawkish stance, though not all have yet acted, particularly as measures of core inflation rise and labour markets tighten, rending the transitory inflation narrative erroneous.

US CPI inflation continued to rise, coming in at 7% for the year to Dec21, the highest level since 1982. The labour market continues to tighten, with the unemployment rate falling to 3.9%, also for December 2021. The Fed is on schedule to end QE in March and all but confirmed interest rate lift-off then too. They are actively pursuing plans to reduce the size of their bloated balance sheet (QT).

Against the trend, the People's Bank of China (PBoC) further eased monetary conditions amid signs of slowing growth. Growth had been slowing during 2021 due to the "regulatory reset", challenges in the property development sector and the ongoing commitment to a Covid elimination strategy. We expect a modest recovery to emerge in the first half of this year.

In Australia, higher than expected December quarter inflation led to expectations the RBA would likely end its bond purchase program at its February meeting, which has indeed happened. While the RBA remains dovish, we expect interest rate lift off in 2H22.

In NZ, the higher inflation/tight labour market story continued to evolve as CPI inflation rose to 5.9% in December and the unemployment rate fell to a record low 3.2%. This supports our expectation of ongoing tightening by the RBNZ and a likely terminal rate for the OCR of 3%.

Salt Core NZ Shares Fund Commentary

The S&P/NZX50 Gross was unable to avoid the down draft of weak offshore equity markets and quickly slid away over January, reporting a -8.8% return for the month. Share prices fell due to investors becoming increasingly concerned over inflation pressures translating into increased costs for businesses that would see reduced profit margins, Covid-19 related supply chain issues, as well as the valuation implications of weaker bond prices (higher interest rates on bonds means higher discount rates for future earnings and lower equity valuations). The Fund was a little behind the benchmark this month, underperforming with a return of -9.1%.

There were some dramatic falls during the quarter as investors headed for the exits. The Fund's relative performance benefited from holding less Fisher & Paykel which fell -15.3% as investor started to price in an end of the surge in demand for its hospital products. The Fund holds a lower exposure to the retirement sector and this played out with a large -19.2% fall in Ryman Healthcare.

Technology names Serko (-24.3%) and Pushpay (-18.2%) suffered as the sector in the US came under pressure. The fund holds a lower exposure to these stocks but its holding in Pacific Edge (-18.3%) was caught up in the sell off.

The Fund benefited from its positioning in companies with more defensive earnings. These stocks are favoured because of their ability to maintain margins in the face of increasing cost pressure. These holdings saw their share prices decline by more modest amounts over January and include Spark (-4.2%), Infratril (-5.3%) and Ebos (-5.3%).

The Fund also incurred some headwinds from exposures in more cyclical sectors of the market, with Fletcher Building (-12.0%), Sky City (-12.5%) and Mainfreight (-11.1%) all falling hard. The market appears to be looking through what should be a positive reporting season for these companies and becoming concerned that the economy may be facing tougher times ahead.

The Manager is comfortable with the Fund's positioning in companies that have valuation upside and/or have good levels of pricing power and demand that will help resist impending cost pressures.

During the month, the Fund was a cautious accumulator of Port of Tauranga shares and had continued to lower its Precinct Property holding.

Paul Harrison, MBA, CA