

# SALT

## Salt Core NZ Shares Fund Fact Sheet – January 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 January 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$46 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

### Unit Price at 31 January 2023

Application	0.9314
Redemption	0.9275

### 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 January 2023

NZ shares	94.60%
Australian Shares	0.74%
Cash or cash equivalents	4.65%

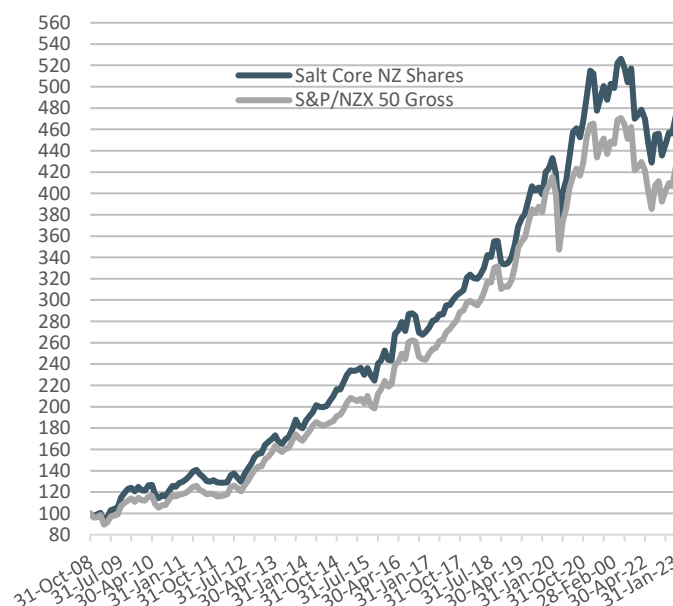
### Fund Performance to 31 January 2023

Period	Fund Return*	Benchmark Return
1 month	3.55%	4.32%
3 months	5.96%	5.56%
6 months	3.79%	4.14%
1-year p.a.	0.50%	0.67%
2 years p.a.	-3.98%	-4.51%
3 years p.a.	2.93%	0.71%
5 years p.a.	7.84%	7.23%
7 years p.a.	9.89%	9.93%
10 years p.a.	11.14%	10.90%
Inception p.a.	10.78%	9.91%

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 January 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
Spark NZ	Genesis Energy
Mainfreight	Chorus Networks
Infratil	Property for Industry
Fisher & Paykel Healthcare	Vital Healthcare
Pacific Edge	Auckland International Airport

### SALT FUNDS MANAGEMENT

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## Equities Market Commentary

Developed market equities rose +6.0% (in USD) in January and bonds rallied as it became evident that inflation had peaked in key developed economies, raising hopes that central banks may soon end their tightening cycles. However, while some central banks have reduced the pace of rate hikes, the level at which interest rates will peak remains an open question.

US labour market data was viewed positively by markets in that while employment remained solidly positive, wage inflation also slowed, suggesting a soft landing was possible. However, wage inflation does remain well in excess of levels consistent with 2% inflation. In Europe, a mild winter has seen energy prices fall and inflation recede from its peak, reducing the risk of recession. The average purchase price for natural gas in January was over 50% lower than the average over the second half of 2022. Surprisingly resilient activity data has supported Europe's equity markets at the start of the year.

China GDP was weak in the final quarter of 2022 but the swift end to China's zero-Covid policy bolstered already positive expectations about growth in China in 2023 given the extent of pent-up demand and high savings rates. Japan's inflation surged to 4% in 2022, its highest level in 31 years. The Bank of Japan loosened its yield curve control policy, widening the band in which 10-year JGBs can trade from +/-25bp to +/-50bp. The Bank then had to intervene with bond purchases through January as markets anticipated a further widening, which did not eventuate.

Despite recently soft retail sales data in Australia, the Reserve Bank of Australia will likely continue to raise interest rates. Headline inflation came in at 7.8% for the year to December 2022, a 32-year high and ahead of expectations. NZ December quarter inflation came in softer than expected, while some activity indicators also showed signs that tighter monetary conditions are starting to bite. While the RBNZ still has work to do, they may not need to be as aggressive as signalled in their most recent Monetary Policy Statement released in November last year.

## Salt Core NZ Shares Fund Commentary

Throughout January, the NZ equity market continued to rebound from its 2022 lows with the NZ50Gross Index adding another 4.32%. The Fund could not quite keep up over January and recorded a return of +3.55% for the month.

The underperformance of the Fund was due mainly to the unusual bounce in Ryman Healthcare (+29.0%). There was no new information and the balance sheet issues facing Ryman remain. The rise in share price appears to have been started by an offshore promotion of the stock that changed the price momentum, which was quickly followed by a dramatic short covering rally. On the flip side of this, the Fund benefited from its overweight position in Summerset (+10.4%) as it was pulled up by the strength in Ryman.

The two other stocks that were head winds for the Fund were Auckland Airport (+8.8%) which rose on what appeared to be the finishing of an offshore purchase order and Genesis Energy (+10.9%) who reported a better than expected first half profit as strong inflows into hydro dams, reducing the use of expensive fossil fuel generation.

Positives for the fund included Fisher & Paykel (+11.8%) as it continued to strengthen as investors sought out long-term, quality, growth stocks, and Mainfreight (+5.9%) which was also carried higher on the thematic that the risks to global economic growth were easing.

The month was a busy one with many stocks reaching their price targets throughout the month. Early on, the Manager was a buyer and topped up the holdings in Mainfreight, Goodman Property, Fisher & Paykel, and Spark. The Manager also took the opportunity to sell some stocks into strength such as Meridian, Contact Energy, A2 Milk, and Investor Property.

The month of February will see many companies report earnings up to the end of December and provide outlooks for the first half of 2023. The Manager is cautious as to the market's current positivity towards 2023 and wary of the impact of interest rates staying higher for longer.



Paul Harrison, MBA, CA