Salt Core NZ Shares Fund Fact Sheet – June 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 30 June 2022

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

Unit Price at 30 June 2022

Application	0.8596
Redemption	0.8561

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 30 June 2022

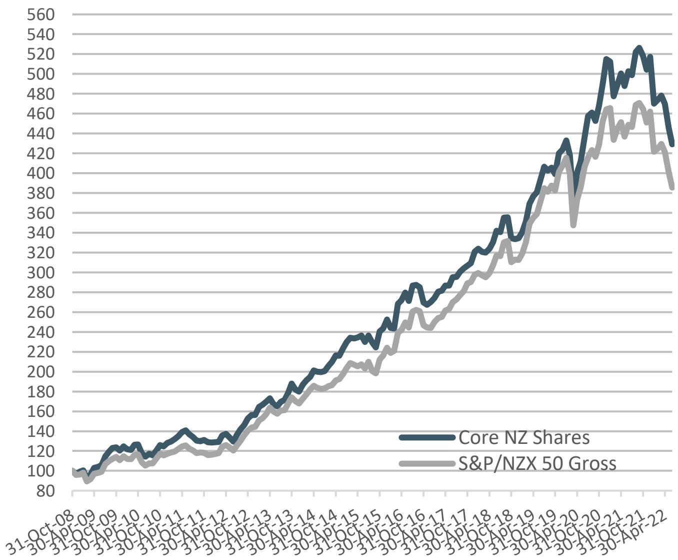
NZ shares	95.78%
Australian Shares	0.76%
Cash or cash equivalents	2.46%

Fund Performance to 30 June 2022

Period	Fund Return*	Benchmark Return
1 month	-3.74%	-3.89%
3 months	-10.31%	-10.25%
6 months	-17.05%	-16.61%
1-year p.a.	-14.68%	-14.11%
2 years p.a.	-0.78%	-2.58%
3 years p.a.	2.86%	1.16%
5 years p.a.	7.78%	7.38%
10 years p.a.	9.33%	9.58%
Inception p.a.	12.71%	12.32%

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 30 June 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	Ryman Healthcare
Mainfreight	Goodman Property Trust
Pacific Edge	Auckland International Airport
Infratil	Genesis Energy
Summerset	Vital Healthcare Property Trust

Market Commentary

It was another tough quarter for markets globally, marking the worst first half for developed market equities in 50 years. To make matters worse, bond prices have also fallen significantly, failing to give investors the protection they usually seek from this asset class. Global listed infrastructure did perform more strongly given its inherent inflation protection characteristics.

Bond markets have priced in ever more aggressive action from central banks to tame inflation. This has heightened recession risks as household budgets are squeezed by the higher prices of key commodities (food and energy) and higher borrowing costs. The US Federal Reserve displayed a clear intention to tame inflation by signalling interest rates will need to rise to 3.8%. Despite unemployment being low and wages increasing, consumer confidence has slumped, contributing to recession concerns. Consumer confidence has also slumped in Europe, with a stagflation risk from lower gas supplies from Russia. Prices have risen sharply, and some form of rationing may have to be implemented.

The Chinese authorities continue to adopt a Covid-zero strategy, though there has been some easing in quarantine restrictions, seeing recent economic data improve. The Reserve Bank of Australia has accelerated its rate hikes, raising the cash rate 50bp in June following the initial 25bp hike in May.

Signs are already emerging that the increase in rates impacting consumer behaviour. Further 50bp hikes are likely. The NZ economy contracted in the March quarter, in line with weak business and consumer confidence and the "virtual" Covid lockdown over the early months of the year. While reopening borders will help, weak business and consumer confidence levels point to soft underlying growth.

Salt Core NZ Shares Fund Commentary

Financial markets were caught in an extremely disruptive environment during the June quarter. Fears of what rising inflation and rising interest rates will do to economic growth and corporate profits saw investors flee equity markets. On the way out the door, investors took whatever opportunity they had for liquidity regardless of fundamentals, with little logic between those stocks that were sold off the hardest and those that were spared. Even high-quality companies with good business franchises which, despite giving solid business updates were dumped during the quarter. Companies such as Mainfreight (-16.5%), Fisher & Paykel Healthcare (-16.7%), Summerset (-18.3%), Fletcher Building (-21.0%), and Freightways (-25.9%) all got caught in the panic. The NZX50Gross Index (including imputation credits) slid -10.15% over the June quarter.

Overall the Fund was reasonably successful with most of its positioning during the quarter. The low exposure to property stocks avoided some downside as the NZX Real Estate Index dropped -12.2% on the back of the sell-off in the bond market. The lower exposure to the Gentailer sector with the focus on holding more Meridian Energy (-7.3%) and less Contact Energy (-10.7%), and no Genesis Energy (-8.0%) also worked well. The Fund had no exposure to the banking sector stocks ANZ (-15.4%), Westpac (-15.0%) and Heartland Bank (15.6%) which were hit as investors became concerned about cost pressure on profit margins and the potential for non-performing loans

The Fund benefited from holding more exposure to defensive companies which have robust earnings, growth potential and valuation support such as Spark (+4.8%), Port of Tauranga (+0.7%) and CSL (+0.3%) as these rose over the June quarter.

The Fund slightly underperformed over the June quarter with a return of -10.31%. This was largely due to the weakness in Pacific Edge (-29.2%) which fell alongside other healthcare and biotech stocks globally, and the weakness in aforementioned key holdings Mainfreight, Fisher & Paykel Healthcare, Summerset, Fletcher Building, and Freightways.

Since the end of the quarter, some common sense seems to have returned (for now) and investors appear to be looking for the companies that should not have been thrown out with the "bath water".

During the quarter the Manager was a buyer of Fisher & Paykel Healthcare and Port of Tauranga, and a seller of Sky City Casino, Oceania, and Freightways.

Paul Harrison, MBA, CA