Salt NZ Dividend Appreciation Fund Fact Sheet – January 2022

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 NZ Dividend Appreciation Fund targets a portfolio of shares of New Zealand companies that may, in our opinion, pay high and sustainable dividends. A considerable body of robust research suggests that stocks with strong and sustained dividend policies tend to generate higher free cash flow than average and outperform their index benchmarks over time. The strategy is not intended to naively generate the highest possible yield but rather to generate a high and sustainable dividend yield.

Fund Facts at 31 January 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$108.1 million
Inception Date	30 September 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 January 2022

Application	1.6782
Redemption	1.6714

Investment Guidelines

The guidelines for the NZ Dividend Appreciation Fund are shown below:

NZ shares	95% – 100%
Cash	0% – 5%
Unlisted securities	0% – 5%
Maximum active position	8%

Target investment Mix

The target investment mix for the Salt Dividend Appreciation Fund is:

Australasian Equities	100%

Fund Allocation at 31 January 2022

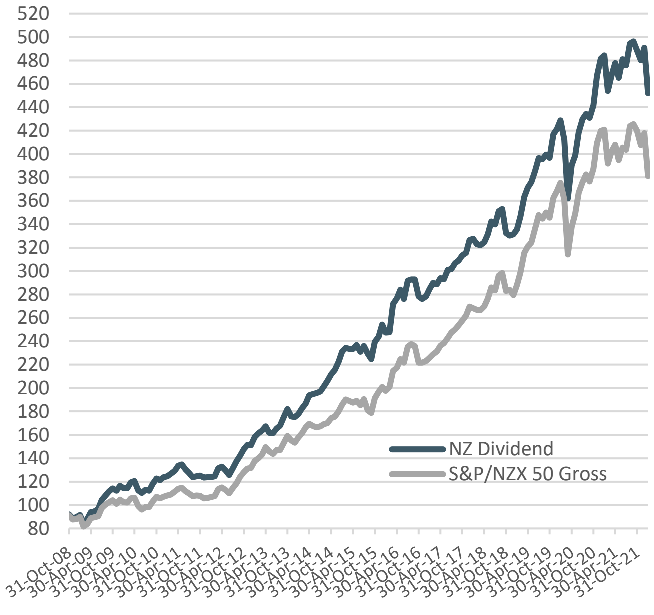
NZ shares	99.11%
Cash	0.89%

Fund Performance to 31 January 2022

Period	Fund Return*	Benchmark Return
1 month	-7.96%	-8.78%
3 months	-7.53%	-9.24%
6 months	-5.01%	-5.60%
1 year	-6.68%	-9.43%
2-year p.a.	2.65%	0.73%
3 years p.a.	10.39%	9.78%
5 years p.a.	9.67%	11.02%
7 years p.a.	10.04%	10.95%
10 years p.a.	13.81%	13.69%
Inception p.a.	11.97%	10.64%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 November 2008 to 30 September 2015, 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
Tower	Fisher & Paykel Healthcare
Turners Automotive	Ryman Healthcare
Marsden Maritime Holdings	Goodman Property Trust
Spark NZ	Auckland International Airport
Meridian	Property For Industry

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Monthly Equities 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 NZ Dividend Fund Commentary

The Fund delivered solid outperformance in what was a very weak month for the NZ equity market right across the board. The Fund declined by -7.96% compared to the -8.78% delivered by the S&P/NZX50 Gross Index. The Fund is continuing to behave as one might expect against a weak and volatile market backdrop as valuations are reappraised in the context of an outlook for significantly tighter monetary policy.

Unsurprisingly in a weak month, the largest contributions all came from key underweight positions. The way was again led by Ryman Healthcare (RYM, -19.2%). There was no company specific news but there are several tentative signs that the great NZ housing boom is coming to an end and the outlook for higher interest rates could prove problematic. We remain concerned at Ryman's gearing against this backdrop.

Other tailwinds came from Pushpay (PPH, -18.2%), which was caught up in a sharp sell-off of high multiple growth stocks and having no holding in Pacific Edge Biotechnology (PEB, -18.8%) which finally started to weaken in the context of extreme weakness from a large number of global peers. Other relative wins came from weakness in Fisher & Paykel Healthcare (FPH, -15.3%), Serko (SKO, -24.3%) and Oceania Healthcare (OCA, -11.9%).

Headwinds were led by several of our overweights in more cyclical sectors of the market. Turners (TRA, -4.3%), Fletcher Building (FBU, -12.0%), Sky City (SKC, -12.5%) and Mainfreight (MFT, -11.1%) were the main culprits here. There was little company specific news other than a very strong update from MFT just after month-end.

At month-end, we estimate the Fund has a forward gross dividend yield of circa 3.7%, which compares to our estimate of 3.1% for the benchmark.

Matthew Goodson, CFA