Salt Core NZ Shares Fund Fact Sheet – December 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 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 December 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$45 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 December 2022

Application	0.8994
Redemption	0.8957

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 December 2022

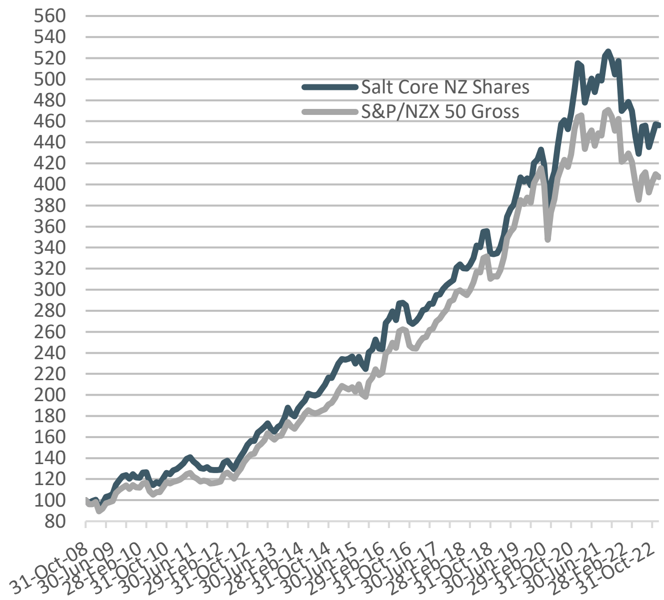
NZ shares	94.52%
Australian Shares	0.73%
Cash or cash equivalents	4.75%

Fund Performance to 31 December 2022

Period	Fund Return*	Benchmark Return
1 month	-0.21%	-0.68%
3 months	4.72%	3.68%
6 months	6.33%	5.56%
1-year p.a.	-11.80%	-11.97%
2 years p.a.	-5.90%	-6.38%
3 years p.a.	2.50%	-0.05%
5 years p.a.	7.28%	6.44%
7 years p.a.	8.81%	8.88%
10 years p.a.	11.30%	10.93%
Inception p.a.	10.58%	9.64%

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 December 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
Mainfreight	Auckland International Airport
Infratil	Chorus Networks
Spark NZ	Genesis Energy
Pacific Edge	Ryman Healthcare
Summerset	Property for Industry

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

Equities Market Commentary

The rally in global equity markets lost some momentum in the final weeks but the gain for the December quarter was an impressive +9.8% in USD terms. The gains reflected a growing confidence that the worst of the inflation surge was now behind the world's major economies. This optimism was tempered late in the quarter by central banks which, despite reducing the magnitude of rate hikes, signalled they still had more tightening work to do, exceeding markets' views of the various terminal rates.

The market was caught off guard by the surprise move from the Bank of Japan to adjust its Yield Curve Control policy by allowing a widening of the trading band around 10-year JGBs from 0.25% to 0.5%. This was seen as a de facto tightening in monetary policy.

In the face of widespread social unrest, China moved swiftly to unwind still-stringent Covid restrictions. We had expected such a move following the conclusion of the 20th National Congress of the CCP, but the pace of this move surprised us and does not come without risks.

In Australia, the economy is showing signs of slowing and will weaken further in 2023 but is expected to avoid recession. House price growth is likely to turn negative in 2023, fuelling local expectations that the RBA will not have to be as aggressive as other central banks.

In NZ, the RBNZ delivered its largest ever interest rate increase of 75bps during the quarter, taking the OCR to 4.25%. Cementing the hawkishness even further, was the admission the Bank had considered a 100bp hike. The projected terminal rate of the OCR was lifted from 4.1% to 5.5%, higher than the market expected.

Salt Core NZ Shares Fund Commentary

The NZ50Gross Index rebounded +3.68% in the December quarter as investors began to hope that the aggressive moves by central banks were mostly complete and that company earnings would not incur too much damage. The Fund outperformed with a return for the quarter of +4.72%.

The December quarter is an important period for profit results and annual shareholder meetings. The updates were mostly positive. Fletcher Building (-2.5%), Freightways (-1.4%), and Auckland Airport (+8.5%%) all gave stronger than expected updates at their October meetings but only Auckland Airport held onto the gains. Mainfreight (+1.9%) also rallied hard after the Company gave a positive update at their investor day in October but these gains also faded. There was positive news for Air New Zealand (+4.2%) which released some strong operating numbers and Tourism Holdings (+23.5%) which bounced on news the ACCC had cleared the merger with Apollo.

The gentailers all provided solid updates at their shareholder meetings, with Genesis (-5.8%%) reporting the strongest outlook versus expectations but Meridian (+9.2%) outperformed its peers, rising strongly at the end of the quarter on index-based investor demand. Mercury (-2.4%) and Contact (+3.1%) also had mixed fortunes. Currently New Zealand's hydro dams are unusually full, putting pressure on shorter term electricity prices. Generators are attempting to balance the need to hold water for late summer hydro storage but also reluctant to run higher fuel cost generation while spot prices are so low.

Fisher & Paykel's (+23.5%) share price had started to cautiously recover on some US flu season and Covid related hospital admissions data whilst bracing for another profit downgrade. But investors instead got a result that had some promising signs that things may begin to improve for Fisher & Paykel's all important US business. The Manager had rebuilt an overweight position in this stock at lower levels

The banks were volatile with ANZ (-1.0%) reporting a better-than-expected result, and Westpac's (+8.0%) result interpreted as showing the potential for stronger than expected net interest margins to offset increased costs

During the quarter, Real Estate (-3.3%) and Retirement sector stocks slid on concerns that the property sectors will bear the brunt of the RBNZ's OCR interest rate hikes. The Fund has held an underweight position in Ryman (-36.5%) for some time on the view that it was overvalued given the outlook for house prices and construction costs was challenged combined with Ryman's rising debt levels. The Fund had little or no exposure to Arvida (-19.1%) and Oceania (-14.4%) but did incur some downside due to its holding in Summerset (-17.9%). The Fund holds a reasonable underweight to the listed property sector.

Other performances of note for the Fund were Ebos (+16.7%), Tower (+13.3%), and Spark (+8.0%) all of which the Fund is overweight. A2Milk (+20.6%) was another that performed very strongly over the quarter, but the Fund holds less than market weight so did not capture all of the benefits of the rise.

Another positive for the Fund was it's holding in Pushpay (+16.7%) which announced they had entered into a scheme implementation agreement which would see it acquired by its two largest shareholders.

Paul Harrison, MBA, CA