Salt NZ Dividend Appreciation 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 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 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$118 million
Inception Date	31 December 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 January 2023

Application	1.6484
Redemption	1.6417

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 2023

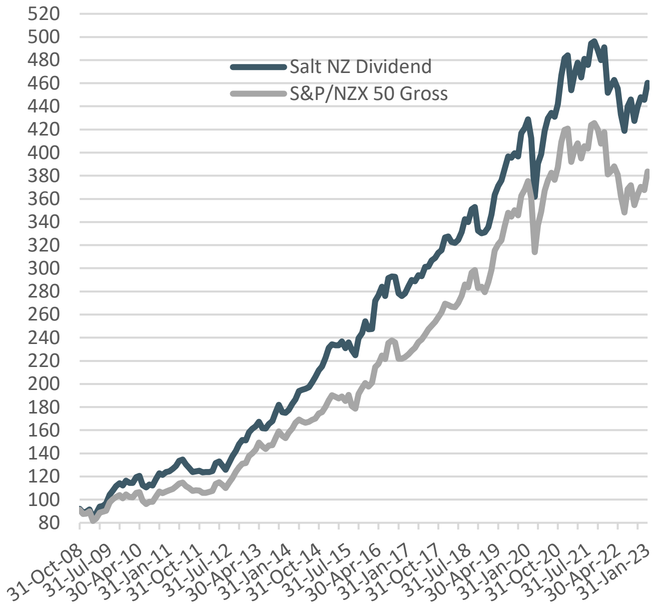
NZ shares	97.73%
Cash	2.27%

Fund Performance to 31 January 2023

Period	Fund Return*	Benchmark Return
1 month	3.30%	4.32%
3 months	4.74%	5.56%
6 months	4.66%	4.14%
1 year	1.89%	0.66%
2-year p.a.	-2.49%	-4.52%
3 years p.a.	2.40%	0.71%
5 years p.a.	7.03%	7.23%
7 years p.a.	9.27%	9.93%
10 years p.a.	11.26%	10.90%
Inception p.a.	11.24%	9.91%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 December 2008 to 31 December 2015, 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
Tower	Auckland International Airport
Turners Automotive	Ryman Healthcare
Marsden Maritime Holdings	Vital Healthcare Property Trust
Mainfreight	Meridian Energy
Spark NZ	A2 Milk Company

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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 NZ Dividend Fund Commentary

The Fund underperformed in the month of January, returning +3.30% compared to the +4.32% turned in by the S&P/NZX50 Gross Index.

The month was marked by a partial reversal in two of the names that had helped us in the previous quarter. Our underweight in Ryman Healthcare (RYM, +29.0%) clawed back some of its prior losses on what appeared to be short-covering type activity rather than any fundamental news.

The large overweight in Tower Limited (TWR, -2.8%) had been travelling well until the heavens opened in a deluge over Auckland. We are not greatly concerned as their Sept23 year guidance incorporates $30m of large event losses and their exposure to large single events is to the first $11.9m, with reinsurance covering the balance. TWR now has 8 months left in the year, with $18.1m of large event loss headroom left. This takes away some potential upside and creates more risk for the remainder of the year. A final headwind was our underweight in Auckland Airport (AIA, +8.8%) which continues to climb to levels that are far beyond any semblance of fair value.

Our positive contributors were of a far smaller magnitude, with overweights in Mainfreight (MFT, +5.9%), Turners (TRA, +1.8%) and Asset Plus (APL, +8.9%) adding modest value.

At month-end, we estimate the forward dividend yield for the Fund to be 4.5% versus 3.9% for the index.

Matthew Goodson, CFA