Salt Core NZ Shares Fund Fact Sheet – June 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 30 June 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$44 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 30 June 2023

Application	0.9107
Redemption	0.907

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 2023

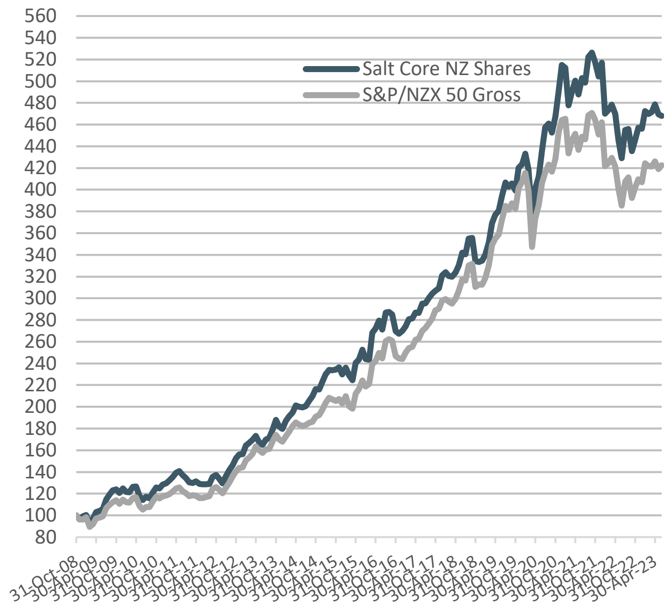
NZ shares	93.47%
Australian Shares	1.36%
Cash or cash equivalents	5.18%

Fund Performance to 30 June 2023

Period	Fund Return*	Benchmark Return
1 month	-0.31%	0.87%
3 months	-0.77%	0.26%
6 months	2.58%	3.86%
1-year p.a.	9.07%	9.64%
2 years p.a.	-3.53%	-2.96%
3 years p.a.	2.40%	1.34%
5 years p.a.	6.47%	5.91%
7 years p.a.	8.10%	8.12%
10 years p.a.	10.99%	10.38%
Inception p.a.	10.39%	9.58%

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 30 June 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
Infratil	Auckland International Airport
Spark NZ	Meridian Energy
Fisher & Paykel Healthcare	Genesis Energy
Freightways	Chorus Networks
Mainfreight	Property for Industry

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Equities Market Commentary

The June quarter saw the MSCI World Index return +6.8%, the S&P500 + 8.7% and the Nasdaq 100 +13.1% as aggressive moves higher in large cap tech stocks led the way. The bullishness unleashed by the emergence of generative AI as an investment theme has seen overall equity markets prove resilient to the recent aggressive tightening in monetary conditions.

US inflation has fallen sharply from a peak of 9% to 4%, but mostly due to lower oil prices. Core inflation has remained stickier as the labour market has remained tight. While goods inflation is back to the 1% region, services inflation remains well over 5%. The US consumer has continued to spend, reflecting continued employment gains and a decline in savings. Weaker business investment intentions and weak corporate loan demand pose risks for growth going forward.

Economic activity in Europe has proven stronger than expected as the lower energy prices has delivered real income gains back to consumers. However, with core inflation still in excess of 5%, the ECB has raised interest rates to 3.5%, with more hikes still to come. Chinese data points to a renewed slowdown and there has been much conjecture about the degree to which the authorities would stand ready to support growth as needed.

In Australia, there are increasing signs of slowdown from a very strong period in 2022. The labour market has remained resilient but it typically lags growth. The RBA is taking a stop-start approach to raising interest rates. We think they have more work to do; we see the cash rate rising to 4.6% in the next few months.

In NZ, the RBNZ delivered a hawkish 50bp hike in the Official Cash Rate in April which was followed by a dovish 25bp hike in May and they are now done until at least the October election. The NZ economy is in a technical recession but with inflation still uncomfortably high, we don't anticipate conditions will be appropriate for interest rate cuts until we are well into 2024.

Salt Core NZ Shares Fund Commentary

The Fund underperformed its benchmark with a return of -0.31% over the June quarter versus the NZX50Gross index return of 0.26%. The underperformance largely attributable to the performance of three stocks, Pacific Edge, Freightways and Arvida.

The Fund had been on track for a solid outperformance over the June quarter but a shock announcement in June from Novitas which controls the reimbursement by the Centers for Medicare and Medicaid Services (CMS) for Pacific Edge's Cxbladder tests. Novitas announced at the very last minute of its review period that Cxbladder would no longer be covered. Pacific Edge (-79.8%) earns a significant level of its US revenues from the CMS and the sudden withdrawal of reimbursement is a major challenge to its growth plans. In a further twist, the decision by Novitas to cease coverage of Cxbladder has now been put on hold pending further review. The communication has come from the Associate General Counsel of the US Department of Health and Human Services. This department is the parent organisation of CMS which hired Novitas to help manage its payment coverage.

Some of the Fund's core holdings struggled as investors pared back their expectations for earnings growth due to rising costs. These included CSL (+-3.8%), Fisher & Paykel Healthcare (-6.9%) and Freightways (-12.0%).

On a sectorial basis, the Fund lost some ground as the retirement stocks all bounced strongly on the speculation that house prices will start to rise again and the selloff in bonds is almost done. The Fund's exposure is mostly through Summerset (+9.0%) along with a modest underweight position in Ryman (+25.3%). The Fund does not own the much smaller Arvida (+38.0%), and Oceania (+7.3%). The Manager is cautious on any potential housing market recovery and wary of the rapidly rising costs of providing retirement bed care. The Fund is, however, overweight Fletcher Building (+24.3%) which benefited from the same house price recovery thematic.

A good performer for the Fund was Infratil (+12.2%) with the Company announcing a profit result towards the top end of expectations and issuing guidance for FY24 which at its midpoint would indicate an 11% increase in underlying earnings over what was a strong FY23.

The Fund also benefited from actively managing its position in EBOS (-21.0%) having moved it to an underweight position after the stock was pushed higher in an index reweight in the previous quarter.

The performance of the Gentailers was mixed with Mercury (+3.0%) Genesis (-1.4%), Meridian (6.7%), and Contact (+4.7%) all fluctuating depending on the direction (buy or sell) of order flows from what was believed to be a clean energy index rebalance.

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