Salt NZ Dividend Appreciation Fund Fact Sheet – October 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 October 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$111 million
Inception Date	31 October 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 October 2022

Application	1.6033
Redemption	1.5968

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 October 2022

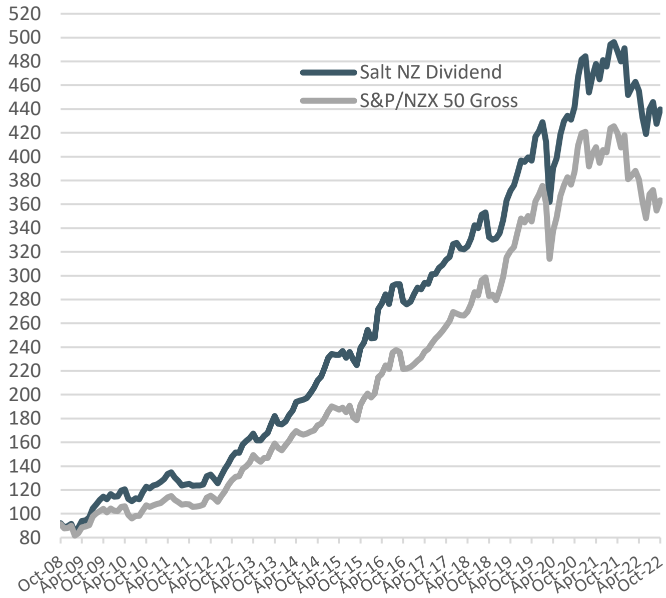
NZ shares	99.13%
Cash	0.87%

Fund Performance to 31 October 2022

Period	Fund Return*	Benchmark Return
1 month	2.82%	2.46%
3 months	-0.08%	-1.34%
6 months	-3.47%	-4.59%
1 year	-10.05%	-13.45%
2-year p.a.	-0.24%	-3.14%
3 years p.a.	3.48%	1.67%
5 years p.a.	6.98%	6.83%
7 years p.a.	9.06%	9.55%
10 years p.a.	11.50%	11.10%
Inception p.a.	11.08%	9.67%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 November 2008 to 31 October 2015, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 31 October 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	Ryman Healthcare
Turners Automotive	Auckland International Airport
Marsden Maritime Holdings	Goodman Property Trust
T&G Global	Vital Healthcare Property Trust
Fletcher Building	Skellerup Holdings

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

After a rough start, developed market equities rose 7% in October although emerging markets ended 3% lower, dragged down by weakness in China. Bond yields made new cyclical peaks of 4.2% in the US, 2.4% in Germany and 4.7% in NZ, prior to rallying near month-end. Inflation, central banks, recession risk and geopolitical tensions all weighed, with some good news as supply chain constraints are clearly easing.

High inflation and tight labour markets saw further aggressive action from central banks, with the ECB hiking by 75bp and the US Fed and the BoE did likewise in early November. The RBNZ delivered a hawkish 50bp hike.

The US economy showed signs of softening, particularly in the housing market as higher mortgage rates started to bite. Flash PMIs were soft, with all forward-looking components weak. However, inflation came in stronger than expected and the labour market remains tight. Europe announced further plans to address the energy crisis, including a proposed price cap and a common purchase system. PMI data moved into recessionary territory. The ECB is continuing to prioritise inflation over growth and is expected to continue tightening, though probably at a slower pace. Growth in China rebounded in Q3, though continued Covid lockdowns has seen a softening in higher frequency activity data. As expected, President Xi was reappointed at 20th Party Congress.

Australian activity data continues to slow. However, a higher-than-expected inflation print for the September quarter is at odds with the RBA reducing the pace of interest rate increases to 25bp moves. This risks needing to become more aggressive later and causing a sharper downturn. Activity data continues to slow in NZ, while September quarter inflation came in higher than expected. The labour market is tight with very strong wage growth. Market pricing expects the RBNZ to lift its forecast terminal OCR rate at its November meeting and deliver a 75bp hike.

Salt NZ Dividend Fund Commentary

The Fund delivered a month of solid outperformance in October, returning +2.82% compared to the +2.46% turned in by the S&P/NZX50 Index.

This performance was the accumulation of a number of modest contributions as opposed to there being any major stand-out contributors or detractors. Highlights were led by the moderate overweight in Mainfreight (MFT, +12.8%) which delivered an even stronger trading update than had been anticipated. Zero-weights in Vital Healthcare Property (VHP, -8.2%), Arvida (ARV, -12.5%) and Pacific Edge Biotechnology (PEB, -14.0%) also did well. The large overweight in the high yielding Tower Limited (TWR, +2.3%) only performed in line with the market despite a modest earnings upgrade and the sale of their difficult PNG business for a better-than-expected price.

Headwinds all came from underweights in stocks that did well. We had no holding in the recovery play Tourism Holdings (THL, +31.8%) which soared following a lift in guidance following a few very difficult years. Westpac Bank (WBC, +12.5%), Chorus (CNU, +9.3%) and Auckland Airport (AIA, +6.9%) also weighed on relative returns.

At month-end, we estimate the forward dividend yield for the Fund to be 4.8% versus 4.2% for the index.

Matthew Goodson, CFA