Salt NZ Dividend Appreciation Fund Fact Sheet – April 2021

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in managing NZ/Australian equity and listed property mandates for wholesale and retail clients.

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 30 April 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$103 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 April 2021

Application	1.8233
Redemption	1.8159

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 30 April 2021

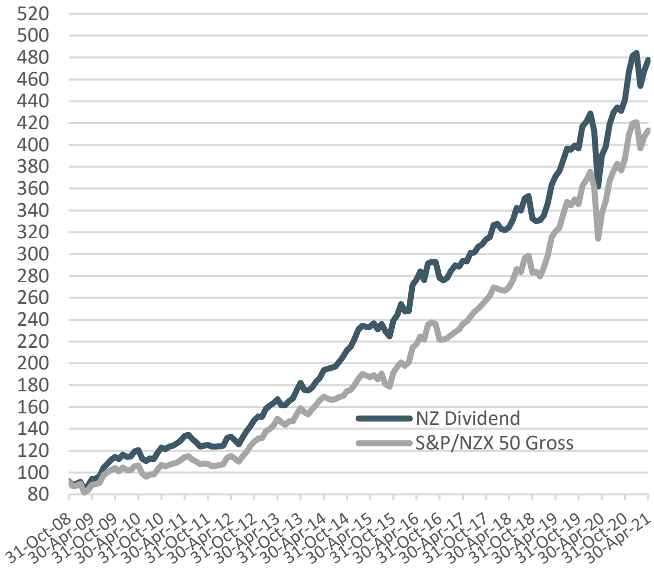
NZ shares	98.62%
Cash	1.38%

Fund Performance to 30 April 2021

Period	Fund Return*	Benchmark Return
1 month	2.16%	1.36%
3 months	-1.32%	-3.02%
6 months	8.18%	5.35%
1 year	22.34%	20.87%
2-year p.a.	13.45%	12.75%
3 years p.a.	13.74%	14.67%
5 years p.a.	11.53%	13.29%
7 years p.a.	13.74%	13.55%
10 years p.a.	13.59%	13.72%
Inception p.a.	13.23%	11.91%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 November 2008 to 30 June 2015, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 30 April 2021*



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	Ports of Tauranga
Spark NZ	Fisher & Paykel Healthcare
Marsden Maritime Holdings	Goodman Property Trust
Oceania	Meridian Energy

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Monthly Equities Market Commentary

Momentum continued on from the prior quarter with the MSCI World Accumulation Index rallying +4.7% in the month of April to be up +9.8% year to date.

US stocks rallied through a supportive earnings season, buoyed by stimulus, undeterred by possible higher corporate taxes, with the technology stocks shaking off recent rotation selling as they posted healthy earnings growth. The S&P500 (+5.3%) outperforming the Nasdaq (+5.4%) and both "Growth" and "Cyclicals" outperformed as confidence was rising on the economy rapidly reopening and supported by US 10-year treasury yields retreating 10bps to 1.63%. The Federal Reserve repeated the same messaging of holding rates low for a while yet until they see clear evidence of sustainably higher employment, being less concerned of elevated transitory inflation in the interim.

The UK's FTSE100 added +3.8%, while Germany's DAX30 rose a mere +0.9% as the European Union has struggled to build momentum in its vaccination rollout.

Asian markets were mixed on seemingly escalating tensions in the South China Sea. Signs of economic activity rebounding is positive, whilst surging Covid-19 rates in parts of Asia add concern that borders will be closed for longer and supply chains face ongoing disruption. Hong Kong's Hang Seng (+1.3%) and Shanghai Composite (+0.1%) outperformed Japan's Nikkei (-1.3%).

Australia's S&P/ASX200 rose +3.5% driven by Technology (+9.7%) and Materials (+6.8%) yet held back by Energy (-4.9%) and Consumer Staples (-2.5%).

NZ's S&P/NZX50 Gross Index ground up +1.4% over the month. The best performers were Pacific Edge (+14%) announcing endorsement by the largest insurer in the US, Fisher and Paykel Healthcare (+12%) on surging covid cases mostly in Asia, and Vista (+11%) on the reopening trade. The weakest names were Pushpay (-12%) on concern of customer losses, a2 Milk (-11%) due to expectations of another downgrade and Ryman Healthcare (-7%) on balance sheet concerns and moves by the Government to dampen the buoyant NZ housing market.

Salt NZ Dividend Fund Commentary

The Fund delivered a strong month of relative performance in April, advancing by +2.16% compared to the +1.36% advance by the S&P/NZX50 Gross Index.

The way was led by our long-standing overweight in Turners (TRA, +8.2%). There was no new news regarding TRA itself but we would highlight that the Australian motor vehicle dealer, Peter Warren Automotive staged a very successful IPO during the month. While their business mix is a little different to TRA, their mid-high teens forward PE multiple reflects well on TRA, which is on a forecast PE of 11.8x for the March 2022 year.

The second main driver was another familiar name in the form of Tower (TWR, +6.1%). There was no new news of any note but the stock continued to re-rate as the market is realising the potential upside from TWR redeploying its excess capital into organic and inorganic growth.

A third stand-out was the underweight in Ryman Healthcare (RYM, -7.3%) which we have long viewed as being both very expensive relative to its industry peers and having a balance sheet which is beginning to be somewhat stretched. Our accompanying overweight in Oceania Healthcare (OCA, +5.5%) saw our overall sectoral exposure add strong value in the month.

The only headwind of significant note came from our moderate underweight in the high quality but very expensive Fisher & Paykel Healthcare (FPH, +12.0%). FPH's Optiflow product has clearly been a massive beneficiary of the Covid-19 situation. What is not clear is how repeatable the benefits of the last year will prove as vaccinations begin to temper hospitalisation rates around much of the world. The key will be the degree to which Optiflow is adopted by intensive care units into their wider usage.

At month-end, we estimate the Fund has a forward gross dividend yield of circa 3.6%, which compares to our estimate of 2.9% for the benchmark.

Matthew Goodson, CFA

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