Salt NZ Dividend Appreciation Fund Fact Sheet – August 2020

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 31 August 2020

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$94 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 August 2020

Application	1.6762
Redemption	1.6694

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 August 2020

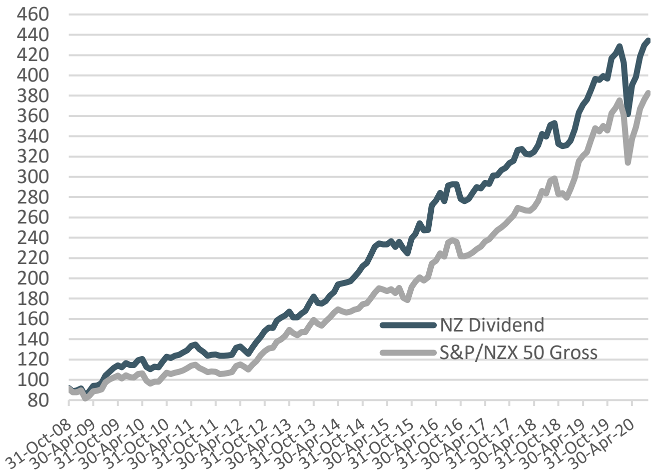
NZ shares	98.99%
Cash	1.01%

Fund Performance to 31 August 2020

Period	Fund Return*	Benchmark Return
1 month	1.06%	1.79%
3 months	8.97%	9.70%
6 months	5.29%	6.01%
1 year	9.80%	10.97%
2-year p.a.	11.17%	13.22%
3 years p.a.	12.26%	15.16%
5 years p.a.	13.61%	16.11%
7 years p.a.	14.53%	14.81%
10 years p.a.	14.47%	14.67%
Inception p.a.	13.11%	12.01%

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 31 August 2020*



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	Ports of Tauranga
Turners Automotive	Goodman Property Trust
Marsden Maritime Holdings	Fisher & Paykel Healthcare
Investore Property	Auckland International Airport
Infratil	Ryman Healthcare

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

NZ Market Commentary

Global equities surged by +6.7% over the month, pushing markets into positive territory year to date (+5.3%) as measured by the MSCI World Accumulation Index. Investors brushed aside concerns of increased tension between the US and China, focussing on stimulus and optimism that a Covid-19 vaccine could be made available later this year.

The major US equity indices had strong momentum through the month (S&P500 +7%, NASDAQ +9.6%), reaching record highs on broadly resilient corporate earnings, the Fed's balance sheet expansion and a strong residential housing market. Further US stimulus for now is likely to be after the presidential elections in November. Markets in Europe performed well as the euro area continues to gradually reopen, tempered slightly by nascent Covid-19 fears and also concerns that a US tariff targeting French and German goods might escalate tensions.

Australian equities had their fifth consecutive months of gains, with the S&P/ASX200 up +2.2% through a volatile reporting season. Victoria is starting to look like it is past the worst of its Covid-19 wave but the extended lockdown is taking a toll on the economy. The market responded well to positive updates from the retail (+8%) and technology sectors (+15%), while investors also sought yield (AREITS +7%).

The S&P/NZX50 Gross Index added a further +1.8% taking the year to date return to +3.9%. Top performers included Vista (+43%) Vector (+15%) and Chorus (+14%), whilst Sanford (-11%), a2 Milk (-11%) and Synlait (-8%) underperformed.

Salt NZ Dividend Fund Commentary

The Fund moderately underperformed the benchmark in the month of August, rising by +1.06% compared to the +1.79% turned in by the S&P/NZX50 Gross Index. The month was notable for seeing ultra-high multiple technology stocks sharply outperform globally although that has since begun to reverse.

The largest headwind came from our overweight in Tower (TWR, -5%) which pulled back on light volumes for no particular reason that we can ascertain. In our view, the business continues to perform well and this should be reflected in their result in November and guidance for 2021. Similarly, the moderate overweight in Marsden Maritime (MMH, -5.9%) retraced on light volumes despite a satisfactory result. We see it as being at a material discount to its port peers but having strong growth prospects as its half share in Northport grows from a low base and this in turn generates demand for properties on their sizeable land holdings.

Other headwinds came from an underweight in Auckland Airport (AIA, +3.9%) which perhaps rallied on the back of the collapse in bond yields although this will impact their future regulatory earnings. Having no Vector (VCT, +15.2%) also hurt even though its future regulatory earnings stream will also be hurt by low inflation and bond yields. Pushpay (PPH, +10.2%) dragged as it rallied seemingly in sympathy with the global technology stock surge.

The strongest positive contributor was our long-standing overweight in Investore Property (IPL, +10.6%). In a world of remarkably low bond yields, IPL is very much flavour of the month due to its combination of relatively dependable top-line revenues, together with a lease duration that is far longer than its debt duration. Our overweight in Contact Energy (CEN, +7.0%) assisted as it rebounded on both low bond yields and a growing view that there is some chance of the Tiwai smelter perhaps staying for another two years or so. A final stand-out was our very small overweight in Vista Group (VGL, +43.0%) which rebounded sharply as investors began to look beyond the short-term impact of Covid-19.

Matthew Goodson, CFA