Salt NZ Dividend Appreciation Fund Fact Sheet – February 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 28 February 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$118.3 million
Inception Date	30 September 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 28 February 2022

Application	1.7003
Redemption	1.6934

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 28 February 2022

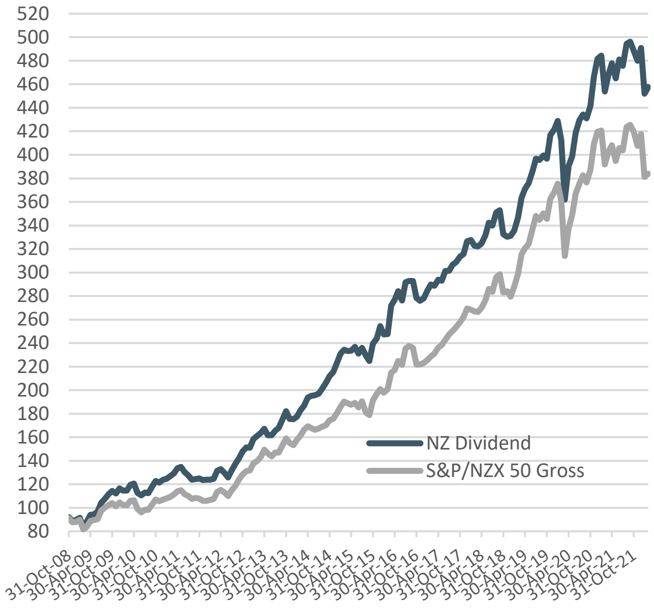
NZ shares	97.69%
Cash	2.31%

Fund Performance to 28 February 2022

Period	Fund Return*	Benchmark Return
1 month	1.32%	0.74%
3 months	-4.63%	-5.83%
6 months	-7.39%	-9.39%
1 year	0.87%	-2.04%
2-year p.a.	5.35%	3.13%
3 years p.a.	9.69%	8.70%
5 years p.a.	9.56%	10.81%
7 years p.a.	10.02%	10.70%
10 years p.a.	13.89%	13.68%
Inception p.a.	12.00%	10.63%

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

Cumulative Fund Performance to 28 February 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	Goodman Property Trust
Turners Automotive	Fisher & Paykel Healthcare
Marsden Maritime Holdings	Auckland International Airport
Spark NZ	Ryman Healthcare
Meridian	Property For Industry

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Monthly Equities Market Commentary

Equity and bond markets experienced a difficult month as rising geo-political tensions culminated in Russia launching a large-scale invasion of Ukraine on February 24th. The first half of the month had been dominated by increasing expectations of more rate hikes by the major central banks in 2022, most notably the US Federal Reserve, and that growth would suffer consequently. As Ukraine tensions grew, rate hike expectations were reassessed downwards, but growth concerns intensified.

There is a high degree of uncertainty as to how the Russia-Ukraine conflict will play out. Right now, the clearest economic impact appears likely to be via energy and food prices. This will intensify concerns of stagflation, particularly in Europe. European activity actually improved, with PMI results pointing to increasing momentum. Headline inflation reached 5.1% y/y, with more than half of that increase already coming from higher energy prices. The ECB signalled a gradual approach to withdrawing stimulus, which seems even more appropriate now.

The US saw a strong January retail sales report showing that consumers had simply delayed spending due to Omicron. The headline CPI reached 7.5% y/y and the payrolls report was stronger than expected with nominal wage growth reaching 5.7% y/y. Interest rate markets priced in as much as six Fed rate hikes in 2022 but this ebbed following the Ukraine invasion.

The RBA halted its QE program but repeated its somewhat sanguine inflation outlook despite raising its forecasts. Their interest rate guidance was less hawkish than market participants had expected but said a rate hike in 2022 was “plausible”.

The RBNZ delivered a hawkish Monetary Policy Statement but continued the cautious approach to rate hikes, increasing the Official Cash Rate (OCR) by 25bps to 1.0%. We continue to see a series of rate increases from the RBNZ with a terminal OCR of 3.0%, around which the risks are evenly balanced.

Salt NZ Dividend Fund Commentary

After outperforming in a very weak market in January, the Fund again delivered solid outperformance in what was a moderate rebound for the NZ equity market in February. The Fund advanced by +1.32% compared to the +0.74% delivered by the S&P/NZX50 Gross Index.

The month saw 10-year bond yields rise from 2.60% to 2.77%, risk aversion rise sharply late in the month following the Russian invasion of Ukraine and a generally satisfactory result season, albeit outlook comments were mixed, with firms’ activity and profitability outlooks being very weak in the ANZ Business Outlook Survey.

The month was notable for there being no positions that were particularly problematic for the Fund, with individual detractors being of modest size only. Slight weakness in Turners (TRA, -2.1%) was the only movement worth of comment. Contrastingly, the overweight in Meridian Energy (MEL, +14.6%) was a very strong contributor as it bounced on a solid result, good rain and an increasingly bullish outlook for the aluminium smelter and thence electricity demand. Overweights in Spark (SPK, +4.0%) and Tower (TWR, +2.9%) were also helpful, as was the underweight in Pushpay (PPH, -13.9%).

At month-end, we estimate the Fund has a forward gross dividend yield of circa 4.0%, which compares to our estimate of 3.1% for the benchmark.

Matthew Goodson, CFA