Salt Core NZ Shares Fund Fact Sheet – May 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 31 May 2023

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

Unit Price at 31 May 2023

Application	0.9136
Redemption	0.9098

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 31 May 2023

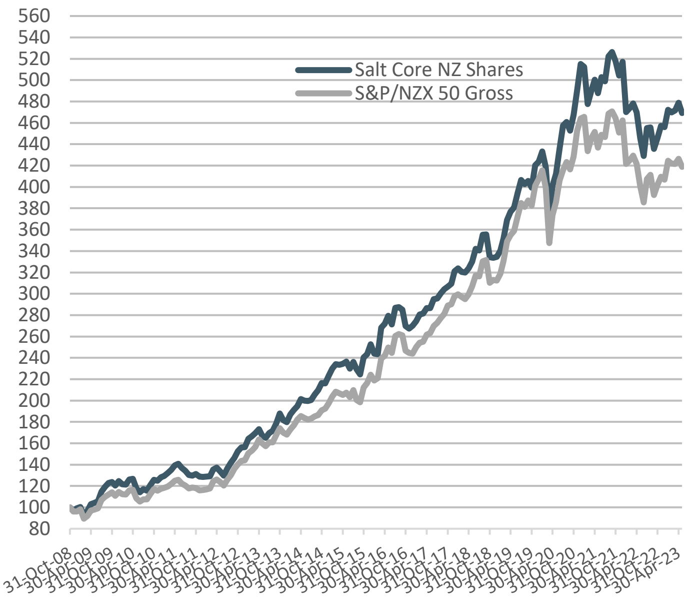
NZ shares	95.55%
Australian Shares	1.41%
Cash or cash equivalents	3.04%

Fund Performance to 31 May 2023

Period	Fund Return*	Benchmark Return
1 month	-1.95%	-1.72%
3 months	-0.08%	-0.69%
6 months	2.68%	2.27%
1-year p.a.	5.31%	4.47%
2 years p.a.	-1.91%	-2.08%
3 years p.a.	4.43%	2.78%
5 years p.a.	7.29%	6.41%
7 years p.a.	7.69%	7.68%
10 years p.a.	10.88%	10.10%
Inception p.a.	10.48%	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 31 May 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
Spark NZ	Auckland International Airport
Infratil	Meridian Energy
Pacific Edge	Genesis Energy
Fisher & Paykel Healthcare	Chorus Networks
Mainfreight	Property for Industry

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

US debt ceiling negotiations drove volatility in May, with a deal in early June being welcomed. The MSCI World Index fell by -1.0% but the S&P500 defied this weakness with a +3.7% advance. However, this was very narrow and dominated by mega-cap technology stocks on excitement about the generative AI thematic following a huge positive surprise from Nvidia. NZ equities declined -1.7% and the Australian benchmark fell -2.5%, despite the Information Technology segment catching the AI buzz and charging ahead +11.6%.

The Fed hiked 25bp, but in a slight but significant change to their wording, signalled they would likely pause in June. However, a drop in the unemployment rate to 3.4% in April and continued strength in core inflation data suggest that a pause may be temporary. With core inflation still at 5.6%, the ECB tightened again but by a lesser 25bp. The transmission of past rate hikes into tighter conditions explained the slower pace. Markets are currently pricing two further 25bp hikes for a terminal rate of 3.75%. The end of post-Covid bounce in China saw macro data for April display a renewed slowdown. Factory activity readings slipped onto contraction and the service sector activity expanded at its weakest pace in four months.

Higher-than-expected monthly inflation in Australia raised concerns re the RBA coming off pause, which they did both during the month and after month-end. Renewed inflation pressure from housing rentals as well as higher award wages may keep core rates of inflation above target for some time.

In NZ, the 2023 Budget was more stimulatory than expected with a significantly higher debt issuance program. The RBNZ hiked 25bp, as was widely expected, but surprised the market by calling time on the rate hiking cycle and looking past the initial fiscal impulse from the Budget to focus on outer year contraction which does however rely on improbably tight spending settings. Data developments will determine if this pause can be maintained.

Salt Core NZ Shares Fund Commentary

The Fund slightly underperformed its benchmark May with a return of -1.95% versus the NZX50 Gross Index return of -1.72%.

Retirement stocks were the flavour of month with Summerset (+12.0%), Arvida (+15.4%), Oceania (+21.7%), and Ryman (+19.8%) all rising strongly on the speculation that house prices to have bottomed and will rise from here meaning that retirement villages will be able to make better development profits and more easily sell existing units. The Manager is more cautious as to the speed of this recovery and holds a small underweight to the retirement sector.

A standout performer for the Fund was Infratil (+6.5%) 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 some of its domestic cyclical stocks that performed well. Fletcher Building (+11.6%) pushed higher on the same housing thematic that buoyed the retirement village companies, Turners rose after it reported a good profit update (+7.1%), and Air NZ was better as ongoing demand continues to support its revenue recovery.

The performance of the Gentailers was mixed with Mercury (+3.5%) being the best performer on what was believed to be a clean energy index rebalance. With no new price sensitive information for the sector, Genesis (+1.1%), Meridian (-2.8%), and Contact (+0.4%) fluctuated depending on the direction (buy or sell) of order flows.

There were some poor performances from stocks that the Fund is underweight or does not own. The bank stocks ANZ (-1.1%) and Westpac (-3.6%) drifted lower reflecting the slowing New Zealand and Australian economies. Sky City Casino (-8.3%) fell after releasing a disappointing profit update, and like Chorus (-5.3%), was being reduced in an international index. Tourism operator, THL (-8.7%) fell when its investor day did not live up to some bullish investor expectations. The Fund had also moved to an underweight position in Ebos (-5.0%) after it was pushed higher in an index reweight in the previous quarter.

Some of the Fund's core holdings struggled as investors pared back their expectation for earnings growth due to rising costs. These included Mainfreight (--3.2%), Fisher & Paykel Healthcare (-16.0%) and Freightways (-5.1%).

During the month, the Manager continued to reduce the holdings in Spark, Fletcher Building and Goodman Property as well as exiting Pushpay stake under the takeover offer. The Fund's holdings in a2Milk, Argosy, KPG, Stride, Precinct Properties, Vector, and Mercury were added to opportunistically.

Paul Harrison, MBA, CA

Disclaimer: The information in this publication has been prepared from sources believed to be reliable and accurate at the time of preparation but Salt Funds Management Limited, its officers, directors, agents, and employees make no representation or warranty as to the accuracy, completeness, or currency of any of the information contained within, and disclaim any liability for loss which may be incurred by any person relying on this publication. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. This publication is provided for general information purposes only. The information in this publication should not be regarded as personalised advice and does not consider an individual investor's financial situation or goals. An individual investor should, before making any investment decisions, seek professional advice. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.