

# SALT

## Salt Core NZ Shares Fund Fact Sheet – November 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 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 30 November 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$46.1 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

### Unit Price at 30 November 2021

Application	1.0219
Redemption	1.0178

### 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%
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### Fund Allocation at 30 November 2021

NZ shares	94.75%
Australian Shares	1.50%
Cash or cash equivalents	3.75%

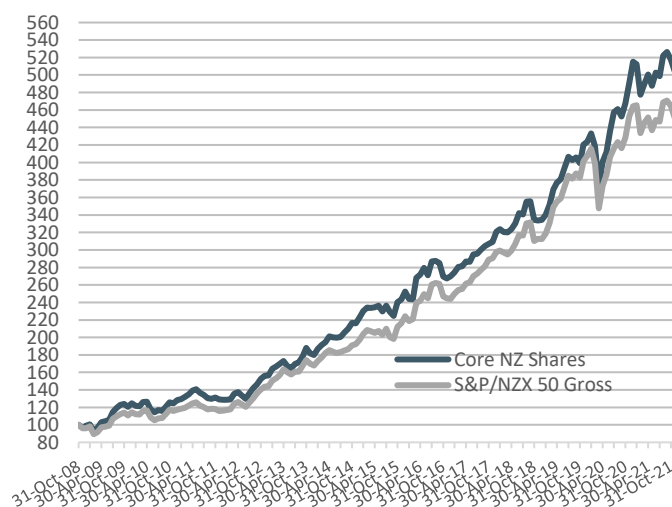
### Fund Performance to 30 November 2021

Period	Fund Return*	Benchmark Return
1 month	-2.57%	-2.91%
3 months	-3.42%	-3.78%
6 months	3.41%	3.23%
1-year p.a.	2.82%	-0.39%
2 years p.a.	9.56%	6.01%
3 years p.a.	14.77%	12.96%
5 years p.a.	13.52%	13.02%
10 years p.a.	12.87%	12.95%
Inception p.a.	14.61%	14.55%

Performance is after all fees and does not include imputation credits or PIE tax.

\*From 1 November 2009 to 30 December 2020, performance is from a fund with the same strategy and the same portfolio manager.

### Cumulative Fund Performance to 30 November 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
Pacific Edge	Ryman Healthcare
Spark NZ	Goodman Property Trust
Brambles	Z Energy
Mainfreight	Auckland International Airport
Infratil	Genesis Energy

### SALT FUNDS MANAGEMENT

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## Monthly Market Commentary

Equities began November well, until the news flow shifted to rising Covid hospitalisations in Europe and the emergence of the new Omicron variant. Key outstanding questions are the severity of symptoms, the efficacy of current vaccines and hospitalization/mortality rates. The MSCI World Index fell -2.3% (in USD) in the month to be +17.5% over the year. Sovereign bonds rallied.

United States inflation surged to 6.2%, its highest rate in 31 years. The labour market continues to improve and October retail sales were strong. Fed Chairman Jay Powell was reappointed and promptly carried out the “Powell pivot”, removing the word “transitory” and flagging a possible faster QE taper. The S&P 500 fell -0.6% to be +25.5% for the year. 10-year US Treasury yields fell from 1.55% to 1.43%.

In Europe, data was mixed depending on the severity of the latest wave of Covid cases. French business confidence improved, while the German Ifo business climate survey deteriorated. Fresh Covid restrictions, along with inflation reaching 4.1%, has taken a toll on consumer sentiment which has weakened recently. The FTSE Europe ex-UK index fell -2.5% (in EUR) over the month to be +19.5% over the year.

After a tough period, the Japanese outlook has brightened somewhat as restrictions have eased and new Prime Minister Kishida announced a new stimulus package. The Topix index returned -3.6% (in JPY) over the month and is +7.9% over the year.

The Australian economy contracted a better-than-expected -1.9% in Q3. Confidence surveys suggest better prospects in Q4. Furthermore, a sharply higher household savings rate in Q3 supports the case for higher consumer spending in the months ahead. The S&P/ASX200 declined -0.9% (in AUD) over the month and was +9.9% over the year.

**The NZ economy is slowly emerging from the long Auckland lockdown. Activity will rebound in Q4 but a full recovery won't be achieved until early 2022. The unemployment rate fell to 3.4% in the September quarter and the RBNZ raised interest rates for the second time this cycle during November. NZ 10-year yields fell over the month from 2.61% to 2.48%. The S&P/NZX50 fell -2.9% (in NZD) over the month and is only +0.6% over the year.**

## Salt Core NZ Shares Fund Commentary

**Despite the rally in NZ 10-year bonds, the S&P/NZX50 Gross (including imputation credits) slid a further -2.9% in November to leave it only fractionally up for the 2021 year to date. The Fund did better than its benchmark with a decline of -2.57%.**

The two main components of the Fund's relative performance this month was the performances of Ryman and Pacific Edge.

Pacific Edge slid 16.3%, as the market tried to digest an oversized capital raise initiated in the previous month. The initial period post raise went well but a portion of the capital raise appeared allocated to fast money offshore holders who were attracted to the discount of the new shares. The arbitrage was eventually lost as the investors attempting to make profits became more aggressive. While this has not been an ideal outcome, the company now has a large war chest to fund its future sales growth in the USA and around the world.

On the flip side, the Fund benefited from owning a smaller weighting of Ryman Healthcare (-14.9%) which fell away as the market reacted to a management commentary indicating lower development targets than in previous guidance. The Fund holds an underweight position in the retirement sector as we are concerned with the outlook for operating cost pressures (especially wages and the availability of staff) and the cost of construction (again wages but also the cost and availability of building materials). There are also signs that rising interest rates and stricter lending policies could hinder the housing market.

Other key performers for the Fund included Tower (+7.1%), Mainfreight (+1.4%) and Spark (0.8%). Fisher & Paykel Healthcare (+6.8%) did well during the month as the emergence of the new Omicron variant of Covid created the potential for an extension of the high demand for the company's products.

**During the month, the Fund was a seller of Auckland Airports, Synlait Milk, and Oceania Healthcare, exited its holding in Computershare, and opportunistically switched some of its Mercury energy holding for Meridian Energy.**



Paul Harrison, MBA, CA