Salt Core NZ Shares Fund Fact Sheet – October 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 October 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$41 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 October 2023

Application	0.8304
Redemption	0.8269

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 October 2023

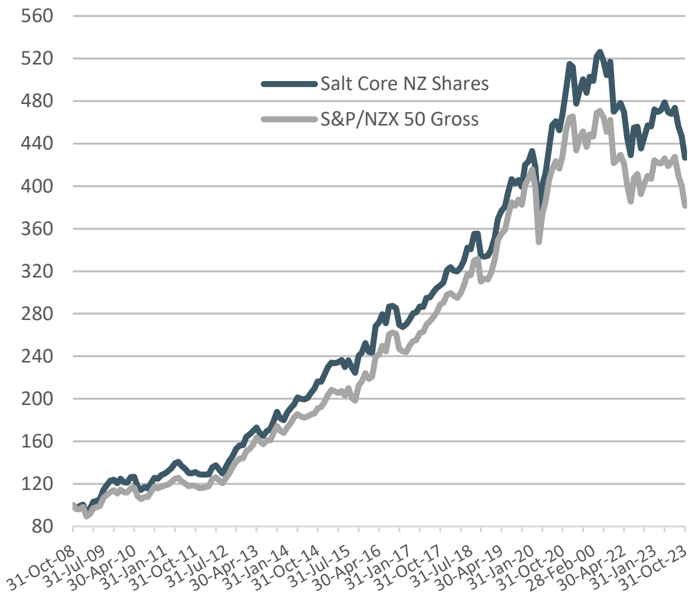
NZ shares	93.90%
Australian Shares	3.29%
Cash or cash equivalents	2.81%

Fund Performance to 31 October 2023

Period	Fund Return*	Benchmark Return
1 month	-4.64%	-4.76%
3 months	-9.95%	-10.76%
6 months	-10.88%	-10.50%
1 year	-4.30%	-5.11%
2 years p.a.	-9.23%	-9.38%
3 years p.a.	-3.01%	-3.80%
5 years p.a.	4.99%	4.22%
7 years p.a.	6.77%	6.42%
10 years p.a.	8.55%	8.16%
Inception p.a.	9.48%	8.62%

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 October 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
Freightways	Auckland International Airport
Infratil	Sky City
Fisher & Paykel Healthcare	Meridian Energy
Spark	Goodman Property Trust
Mainfreight	Property for Industry

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Equities Market Commentary

Markets fell in unison through October as geo-political tensions weighed on market sentiment following the start of Israel-Hamas hostilities. Bond yields rose sharply in response to buoyant economic data which supported the "higher for longer" mantra, coupled with rising concerns about fiscal sustainability. Developed market equities fell 2.9% (in USD) while global bonds were down 1.2% (in USD).

US markets had to contend with strong retail sales, and blowout jobs and GDP reports. Inflation data also came in higher than expected. This resilience in the data suggests the Fed may have to keep interest rates at these higher levels longer. Conversely, the Eurozone was fragile. Latest bank surveys by the ECB highlighted contracting business and household credit. Forward-looking indicators such as PMI surveys continued to weaken, with the composite index down a further 0.7 points to 46.5 in October.

In Japan, 10-year yields moved higher as persistent price pressure led markets to question the ongoing sustainability of the Bank of Japan's Yield Curve Control Policy. Despite earlier attempts to defend its accommodative position, the BoJ made a further tweak to its YCC policy with the 1.0% upper limit now being referred to a "reference". Better looking industrial production, retail sales and GDP data out of China suggests policy easing efforts are starting to have some stabilising effect but continued weakness in the beleaguered property sector suggests the economy is not out of the woods yet. Further policy easing may be required.

The RBA left interest rates unchanged at the start of the month, but since then, activity and inflation data have printed stronger than expected. That has led to the rising expectations that the RBA will hike at its November meeting. The NZ General Election delivered a new National-led government, although the final shape is yet to be determined. Economic data softened further and the labour market saw a noticeable easing in pressure as the unemployment rate rose from 3.6% in June to 3.9%. This supports our view that the RBNZ has tightened enough and now just needs to be patient.

Salt Core NZ Shares Fund Commentary

Australian and New Zealand equities fell again in October as the rising bond yields pulled the rug out from under share markets globally. The NZX50 Gross index fell another -4.76% over the month backing up a similar (-5.2%) fall over the September quarter. The Fund outperformed its benchmark with a return of -4.64%.

A solid performance from the Fund's long held overweight position in Spark (+3.3%) was the largest contributor to this outperformance. Other notable performance came from the Fund's holdings in Tower (+3.2%), and Turners (+11.9%) which performed strongly after both reported positive profit updates.

The weak market conditions saw a number of companies share prices struggle as investors became increasingly concerned with the potential for further profit downgrades. Overall, the Fund got more of these calls right than wrong. The Fund held underweight positions in a raft of poorly performing stocks such as Auckland Airport (-7.2%), a2Milk (-8.3%), Heartland Bank (-14.0%), THL (-12.4%), Vista (-9.7%), Investore (-10.2%), Port of Tauranga (-13.2%), Air New Zealand (-8.2%), and Ryman Healthcare (-10.0%).

Two of the Fund's key holdings, Freightways (-8.7%) and Mainfreight (-12.2%) did suffer from the investor nervousness but the Manager remains confident in the longer-term valuations offered by both of these companies.

The weakness experienced in the September quarter combined with the further weakness in October, presented the Manager with some buying opportunities. During October the Manager increased the positions in Fisher & Paykel Healthcare, Freightways and CSL along with adding new positions in Macquarie Bank and packaging manufacturer Orora. Orora had fallen heavily due to the large A$1.35bn capital raise it undertook to buy a European based, high end bottle manufacturer.

Paul Harrison, MBA, CA