Salt Core NZ Shares Fund Fact Sheet – January 2024

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 January 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$45 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 January 2024

Application	0.9039
Redemption	0.9002

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 January 2024

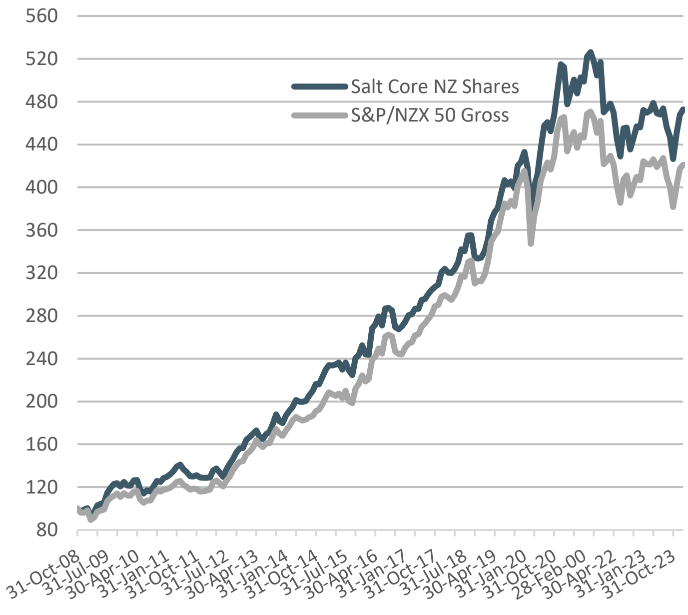
NZ shares	91.87%
Australian Shares	4.37%
Cash or cash equivalents	3.75%

Fund Performance to 31 January 2024

Period	Fund Return*	Benchmark Return
1 month	1.09%	0.86%
3 months	10.80%	10.36%
6 months	-0.23%	-1.52%
1 year	0.07%	-0.80%
2 years p.a.	0.29%	-0.07%
3 years p.a.	-2.65%	-3.29%
5 years p.a.	6.79%	5.73%
7 years p.a.	8.08%	7.73%
10 years p.a.	9.72%	9.31%
Inception p.a.	10.05%	9.18%

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 January 2024*



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
Mainfreight	Auckland International Airport
Infratil	A2 Milk
Freightways	Meridian Energy
Fisher & Paykel Healthcare	Sky City
Contact Energy	Precinct Properties NZ

Equities Market Commentary

After a strong December month, markets were more circumspect in January. Strong activity data, particularly in the US, was received favourably by equity markets, but that came with push-back from central banks against early expectations of rate cuts. Developed market equities rose 1.2%, while the global aggregate bond index was down -1.4%.

In the US, data was more in line with a "no landing" than a "soft landing" scenario. December 2023 GDP data was strong (+3.3%, q/q annualised), as was the December labour market report (unemployment rate unchanged at 3.7%). The euphoria was tempered somewhat later in the month by a hawkish tone to the Fed's January statement. Mega-cap tech stocks outperformed strongly.

The European Central Bank left interest rates unchanged in January and re-iterated their data dependence. That was followed by PMI rising to 47.9 in January, its highest level in three months, but still well below the benchmark 50 that separates expansion from contraction. In Japan, the TOPIX was the best performing major equity market as the Bank of Japan left monetary policy unchanged amid speculation that we will see an end to their Negative Interest Rate Policy (NIRP) and Yield Curve Control (YCC). That now appears more likely in April.

In China, the December 2023 quarter GDP growth came in at 5.2% year on year, broadly in line with expectations but soft relative to history. Partial activity data also remained weak. The Peoples Bank of China continued to add stimulus over the month, but this remains largely reactive and somewhat timid. We expect a fiscal package to support consumption in the next few months.

In Australia, December 2023 quarter inflation came in below expectations at both the headline and core (trimmed mean) level. This followed weaker-than-expected retail sales and employment data. This combination of news means the RBA is likely done with interest rate hikes and will adopt a neutral bias at its February meeting.

NZ's December 2023 quarter inflation data came in below expectations, but all the downside surprise was in tradeables, while non-tradeable inflation came in stronger than expected. This prompted the RBNZ to push back on early rate cut expectations by stating that while progress was being made in the disinflation journey, there was still a long way to go. We do not expect an Official Cash Rate cut until November.

Salt Core NZ Shares Fund Commentary

Australian and New Zealand equities had a subdued start to the year, consolidating some of the recent strength experienced in the December month. The Fund was up 1.09%, outperforming the NZX50 gross benchmark of 0.86%. The bond yield rally in the previous quarter reversed slightly in January with the 10-year government bond finishing the month at 4.7% vs 4.4% in Dec.

Stock-specific news was scarce in January as companies returned from the holiday break and geared up towards the February reporting season which should provide some information on how different aspects of the economy have been tracking over the previous 6-month period.

The Fund will be looking for opportunities during the February reporting season to take advantage of any mispricing by the market post company reporting results.

One new piece of information that did come out over January was the Chinese birth rate, which positively surprised the market and led to a rally in A2 Milk (+12.0%) over January. The question remains if this slightly 'less bad' data point (-5.7% YoY decrease) is indicative of more robust future childbirth numbers than what the market is expecting, or a one-off blip. The Fund used the share price strength to move further underweight.

The underweight to the Retirement sector benefited the Fund over the month with underweights Oceania (-7.9%) and Ryman Healthcare (-3.4%) performing poorly over January. The Fund's overweight holding in Summerset was up (+7.2%) after reporting positive 4Q sales of 360 units, while underweight Ebos Group (+5.8%) rallied in January despite no notable news flow.

Other notable positive movers included Fund overweight Infratil (+5.3%) which rose post its CDC Data Centres business signing large new customer contracts, taking total contracted capacity up by 200MW over the last 12 months.

The Fund's relative performance also benefited from an underweight holding in Kathmandu (-6.7%) as it continued its poor performance of late, and an underweight Heartland Group (-6.1%) which drifted further down following its December profit warning.

The Fund added to existing overweight Woolworths (-3.4%) and VHP (+0.5%) on share price weakness during the month.

Paul Harrison, MBA, CA