Salt Core NZ Shares Fund Fact Sheet – September 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 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 September 2022

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

Unit Price at 30 September 2022

Application	0.9133
Redemption	0.9096

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 30 September 2022

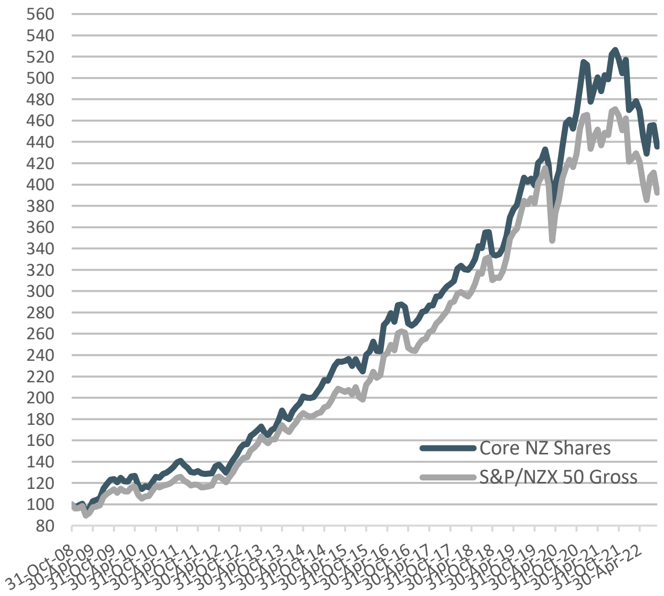
NZ shares	95.82%
Australian Shares	0.78%
Cash or cash equivalents	3.40%

Fund Performance to 30 September 2022

Period	Fund Return*	Benchmark Return
1 month	-4.44%	-4.61%
3 months	1.53%	1.81%
6 months	-8.94%	-8.62%
1-year p.a.	-17.25%	-16.65%
2 years p.a.	-1.90%	-2.94%
3 years p.a.	2.40%	0.43%
5 years p.a.	7.44%	6.89%
7 years p.a.	9.93%	10.24%
10 years p.a.	11.52%	11.18%
Inception p.a.	10.41%	9.54%

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 September 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
Mainfreight	Ryman Healthcare
Infratil	Goodman Property Trust
Summerset	Auckland International Airport
Spark NZ	Genesis Energy
Pacific Edge	Chorus Network

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Market Commentary

After a strong initial rally, equity and bond markets sold off sharply in August and September. In USD terms, developed market equities ended the quarter -6%, while global bonds fell -7%.

August saw the Fed dash prior hopes of a pivot as they renewed their commitment to prioritise returning inflation to target over supporting growth. Most key global central banks raised interest rates over the quarter, by 1.5% (in the US) and 1.25% (in the eurozone). Markets priced in significantly higher terminal rates as the quarter progressed. Headline inflation moderated but core inflation remains well in excess of central bank targets, supporting further tightening.

The global growth outlook continues to weaken and the odds of a "soft landing" are diminishing in several countries. Despite a technical recession in 1H22, the US economy remains resilient, with a 3.7% unemployment rate and wage growth above 5%. The energy crisis continues to dominate the headlines in Europe as Russia halted all gas flows through the Nord Stream 1 pipeline. Activity data weakened and recession now appears the most likely outcome. However, with inflation still stubbornly high, the ECB will continue to hike. China remains fragile as it confronts a number of headwinds including its zero-Covid policy, weather-related disruptions and weakness in the housing market.

Fiscal policy was the hot topic in the UK towards the end of the quarter. The announcement of significant unfunded tax cuts by the new Chancellor brought a severe negative bond market reaction which imperilled some pension funds and forced BoE intervention.

NZ Q2 GDP data came in stronger than expected but the underlying detail was soft as consumer spending dropped sharply. The RBNZ raised the Official Cash rate 100bps over the quarter to 3.0% and flagged a terminal rate of 4.1% at the August Monetary Policy Statement. We expect growth conditions will continue to deteriorate as central banks continue to tighten with terminal rate likely to be met in late 2022 or early 2023.

Salt Core NZ Shares Fund Commentary

After a strong start in July and a month of consolidation in August, the NZ50 Gross Index recorded a return of +1.81% for the September quarter as it gave up a lot of the earlier gains in the last month. Whilst largely driven by macro influences there were wild variations in performance underlying the market's return. The September quarter sees many New Zealand and Australian companies report their earnings for the period ending 30 June. Overall, the reporting season was satisfactory with most companies reporting as expected. There was a mix of outlook commentaries, but most were cautious given the actions of central bank efforts around the world to slow demand.

The Fund slightly underperformed its benchmark with a return of +1.53% for the September quarter. Strong performances came from Summerset (+13.4%), Spark (+7.8%), Infratil (+12.6%), and Meridian Energy (+5.8%). These stocks did most of the heavy lifting to offset the dramatic reversal experienced by Pacific Edge (-26.5%) which under pressure from a weak biotech sector in the US but more so from an unexpected, last minute, proposal to change the inclusion methodology for Centre for Medicare & Medicaid (CMS) reimbursement by the Medicare Administrative Contractor (MAC) Novitas Solutions which covers the Pennsylvania area where Pacific Edge is based. These changes would see CxBladder dropped from being reimbursed by CMS until the bladder cancer test is part of the cancer care guidelines. There was a high level of shock value in this announcement but ultimately CxBladder is expected to be included in guidelines, but this delay is unhelpful for investor sentiment. The long-term valuation nature of Pacific Edge means the valuation impact is modest. Pacific Edge management continue to advise the market that they believe the proposed methodology change is unlikely to occur.

Fisher & Paykel (-7.4%) also suffered a reversal of fortune when it announced at their Annual Meeting that investors would see lower gross margins in the near future and adding that there were *"ongoing uncertainties around our customers' inventory levels, their staffing challenges, and their current capacity for adopting clinical change. We also do not know to what extent respiratory therapies will be required during the Northern Hemisphere winter. For those reasons, we are not currently providing quantitative revenue or earnings guidance for the full 2023 financial year"*. The Manager had reduced the Fund's overweight position in July and early August in the run up to the ASM on concerns that such an outlook update could occur. We have looked to rebuild the overweight at lower targeted share price levels.

The other notable performance of the quarter came from a2Milk (+24.1%) rising dramatically after it announced a solid result that was ahead of expectations which caused a sharp reversal in opinions of some investors who had been short the stock hoping that the result was going to be a disaster. The Fund held a position that is close to the market weight in a2 as the risks to upside and downside are evenly balanced.

During the quarter, the Manager sold some stocks into strength such as Fisher & Paykel Healthcare, Fletcher Building, and a2Milk whilst carefully accumulating more Ebos and Contact Energy. The fund also participated in the Heartland Bank capital raise.

Paul Harrison, MBA, CA