

SALT

Salt Core NZ Shares Fund Fact Sheet – November 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 November 2022

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

Unit Price at 30 November 2022

Application	0.9013
Redemption	0.8976

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 2022

NZ shares	95.62%
Australian Shares	0.77%
Cash or cash equivalents	3.62%

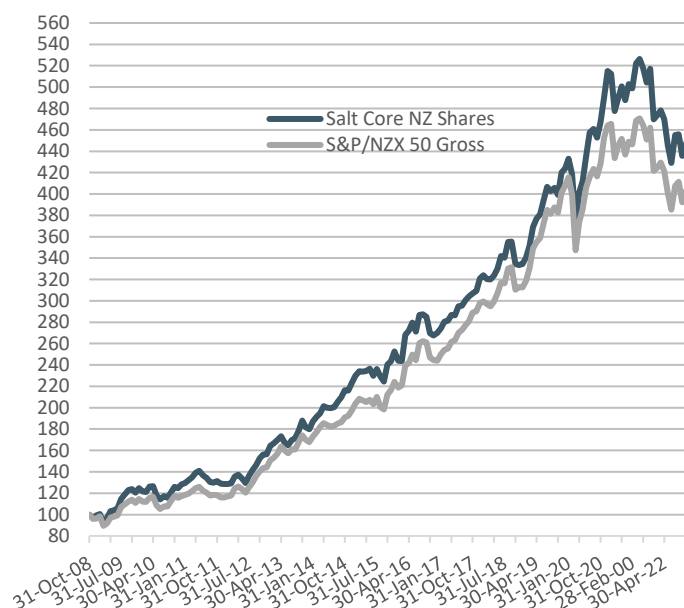
Fund Performance to 30 November 2022

Period	Fund Return*	Benchmark Return
1 month	2.54%	1.88%
3 months	0.28%	-0.42%
6 months	2.56%	2.16%
1-year p.a.	-9.38%	-9.17%
2 years p.a.	-3.47%	-4.88%
3 years p.a.	2.84%	0.69%
5 years p.a.	8.13%	7.13%
7 years p.a.	9.42%	9.55%
10 years p.a.	11.33%	11.05%
Inception p.a.	10.66%	9.76%

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 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	Genesis Energy
Spark NZ	Auckland International Airport
Pacific Edge	Chorus Networks
Summerset	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

Equity markets continued their recovery from mid-October's lows with developed markets rising a healthy 7% and emerging markets up nearly 15% (in USD). Despite further aggressive 75bp rate hikes from both the Fed and the BoE, the Global Aggregate Bond Index rallied 4.7% (in USD) over the month on softer US inflation data raising hopes the Fed may slow the pace of rate hikes.

China has started to tentatively ease Covid controls and has stepped up efforts to vaccinate the elderly. Markets rallied on the back of hopes of an eventual end to Covid-zero. Activity data in China was mostly weaker than expected and monetary policy was eased somewhat.

Australian data was mixed with the labour market being resilient but retail sales suffered their first fall of 2022 in October as rising prices and higher interest rates finally seemed to have an impact on spending. The RBA has continued to hike at the reduced rate of 25bp per meeting, despite higher than expect Q3 inflation data.

The RBNZ delivered its largest ever interest rate increase of 75bps in November, taking the OCR to 4.25%. Cementing the hawkishness even further was the admission the Bank had considered a 100bp hike. The projected terminal rate of the OCR was lifted from 4.1% to 5.5%, higher than was expected by the market. The NZD has rallied 10% since its lows in early October, reflecting a combination of hawkish domestic monetary policy and the softer USD. Very soft ANZ Business Outlook survey readings in November suggest the NZ economy may already be close to recession and that a 5.5% OCR may not ultimately be required.

Salt Core NZ Shares Fund Commentary

Despite the hawkish move by the Reserve Bank of NZ, buoyant financial markets offshore helped lift NZ equities in November with the NZX50Gross Index rising +1.88% for the month. The Fund outpaced its benchmark, recording a solid return of +2.54%.

Fisher & Paykel Healthcare (+20.5%) was the biggest story of the month. The market had been bracing itself for another profit downgrade but instead got a result that had some promising signs that things may begin to improve for Fisher & Paykel's all important US business.

On the flip side, Ryman Healthcare (-20.6%) delivered a weaker than expected result. The Fund has held an underweight position in Ryman for some time on the view that it was overvalued. Investors have begun to recognise difficult outlook for house prices and rising construction costs. This combined with Ryman's rising debt levels, create a challenge for future growth. The Fund had an underweight to the retirement sector but did incur some downside due to its holding in Summerset, which fell by a much more modest -3.4%.

Some of the Fund's other key holdings performed well with Tower (+7.6%) and Pacific Edge Biotech (+7.0%) rising after posting good results to 30 September, along with similar performances from Ebos Group (+9.2%) and CSL (+7.0%) which held investor days during the month,

The Fund's underweight exposure to the gentailer sector worked in its favour with Mercury Energy (-5.5%), Genesis Energy (-10.4%), and Contact Energy (-0.8%) all falling. Meridian Energy (+0.3%) made a small positive gain on the month. New Zealand's hydro dams are unusually full at the moment which is putting pressure on shorter term electricity prices. Generators are attempting to balance the need to hold water for summer hydro storage but also reluctant to run higher fuel cost generation while spot prices are so low.

The weakest performances came from the Fund's holdings in the transport sector with Mainfreight (-6.0%), Freightways (-3.4%) and Port of Tauranga (-2.3%) giving up some recent gains. Fletcher Building (-3.7%) also struggled in the face of the aggressive interest rate hikes from the RBNZ.



Paul Harrison, MBA, CA