
# Salt Sustainable Growth Fund Fact Sheet – November 2021

## 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 Fund aims to provide a total return (after fees and expenses but before tax) above the Reserve Bank of New Zealand's Consumer Price Index + 5% benchmark on a rolling five-year basis, whilst paying a semi-annual distribution of income. To achieve this, the Fund targets a diversified mix of growth and defensive assets, with a focus on securities with strong Environmental, Social and Governance credentials.

The Fund also aims to maximise its total return by outperforming, over the long term, the weighted average return of the market indices used to measure performance of the underlying funds/assets in which the Fund invests.

Medium-term capital growth is prioritized above income in the fund, nevertheless, the allocation to both growth and yielding assets allows for both objectives to operate over the medium- and longer-term horizons.

## Fund Facts at 30 November 2021

| | |
|---|---|
| Benchmark | NZ CPI +5% over 5 years |
| Fund Assets | $54.97 million |
| Inception Date | 15 September 2021 |
| Portfolio Manager | Greg Fleming |
| Current yield to 31/3/22 | n/a |

## Unit Price at 30 November 2021

| | |
|---|---|
| Application | 1.0046 |
| Redemption | 1.0005 |

## Investment Guidelines

| Sector | Target | Range |
|---|---|---|
| New Zealand Fixed Interest | 10% | 0% – 25% |
| International Fixed Interest | 5% | 0% – 30% |
| Australasian Shares | 25% | 10% – 40% |
| International Shares | 35% | 20% - 50% |
| Global Listed Property | 10% | 0% – 25% |
| Global Listed Infrastructure | 10% | 0% – 25% |
| Alternative Diversifiers | 0% | 0% - 15% |
| Cash or cash equivalents | 5% | 0% – 10% |

## Fund Allocation at 30 November 2021

| | |
|---|---|
| New Zealand Fixed Interest | 0% |
| International Fixed Interest | 9% |
| Australasian Shares | 25% |
| International Shares | 35% |
| Global Listed Property | 18% |
| Global Listed Infrastructure | 12% |
| Alternative Diversifiers | 0% |
| Cash or cash equivalents | 1% |

## Fund Performance to 30 November 2021

| Period | Fund Return | Benchmark Return |
|---|---|---|
| 1 month | -0.24% | n/a |
| Since inception | 0.26% | n/a |

Performance is net of fees and tax, but not adjusted for imputation credits. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

## Top Holdings at 30 November 2021

| | |
|---|---|
| Fisher & Paykel Healthcare | Reckitt Benckiser Group |
| Microsoft Corporation | SAP SE |
| Spark New Zealand | Visa Inc-Class A Shares |
| Mainfreight | Danaher Corp |
| Accenture | Thermo Fisher Scientific |

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## Monthly Market Commentary

**Global equity markets declined in November, after a robust rise in October, as the new Covid-19 variant, Omicron, emerged and put a damper on recovering investor sentiment worldwide.** Developed market equities started the month well, until the news flow shifted to rising Covid hospitalisations in Europe. New economic and social restrictions varied from country-to-country and were largely dependent on hospitalisiation rates. Some countries reimposed work from home (Germany and Belgium) while others opted for a return to full lockdown (Austria). More will be learnt about Omicron in coming weeks, with key questions being the severity of symptoms, the efficacy of the current vaccine options and the hospitalisation and mortality rates. Given this fresh uncertainty, the MSCI World Index fell -2.3% (in USD) over the month to up 17.5% over the year. Sovereign bonds rallied, partly reversing the prior trend to higher interest rates on investment grade securities. Higher-rated bonds' price gains assisted the portfolio in November.

In the **United States** inflation continued to surge higher with the annual rate of increase in the CPI reaching 6.8%, its highest rate in 31 years. The labour market continues to improve and retail sales posted a strong increase for October, allaying concerns about waning consumer confidence. Fed Chairman Jay Powell was reappointed for a second term and came as close to admitting the FOMC has been wrong on inflation without admitting it outright. In what is now being described as the "Powell pivot", the word "transitory" is now excluded from the FOMC lexicon. He also flagged a possible faster taper of their asset purchase program, though that will still depend on answers to the various Omicron questions. The S&P 500 fell -0.6% over the month to be up 25.5% over the year. 10-year US Treasury yields fell from 1.55% to 1.43%. Bond yields at these levels still appear unrealistic; however the market for debt remains distorted by the legacies of the QE era.

In **Europe,** data was mixed, depending on the local severity of the latest wave of Covid cases. The latest wave has impacted Germany more acutely than France. Fresh restrictions, along with inflation reaching 4.1% over the month, 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 up 19.5% over the year.

In **Japan** the third quarter of the year was tough going as restrictions remained in place through to the end of September in Tokyo and its surrounding areas. The softness was broad-based and consumer spending and business investment declined over the quarter. The Topix index returned -3.6% (in JPY) over the month and is up 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 up 9.9% over the year.

The **New Zealand** economy is slowly emerging from a long lockdown in Auckland. Activity will rebound in the fourth quarter, but a full recovery won't be achieved until early 2022. The labour market has remained tight with the unemployment rate falling to 3.4% in the September quarter and the RBNZ raised interest rates for the second time this cycle during November. New Zealand 10-year yields fell over the month from 2.61% to 2.48%. The NZX50 fell -2.9% (in NZD) over the month and is up just 0.6% for the year.

## Salt Sustainable Growth Fund Commentary

**The Sustainable Growth Fund performed resiliently in the course of November, limiting its decline to -0.24% for the full month, and retaining a small positive return of 0.26% since inception in September. The near-flat monthly performance logged during a period of market nervousness reflects the fund's diversification.**

Returns for the Salt Sustainable Growth Fund for the month were boosted by the sustainable international equity component, where returns were positive. Investors witnessed continuing strength in US corporate earnings but re-opening plans around the world, even in economies where vaccination rates are sufficiently high have been endangered by Omicron. The US Federal Reserve's shift in tone to a more inflation-adverse stance also undermined investor sentiment. New Zealand equities were again a drag on portfolio performance for the month. International Fixed Interest gained modestly in November, as concerns about Covid rose and quality debt rallied.

The key positive contributor to the Salt Sustainable Growth fund's monthly return was the Sustainable Global Shares fund contributing a 2.06% gain, greatly assisted by the decline in the NZ dollar during the month. The relative underperformance of the Sustainable Global Shares fund for the month (-1.0% compared to benchmark) was driven by negative stock selection. This was primarily a result of underperformance in Information Technology, which outweighed the outperformances in the Health Care sector. The smaller fund holdings in the Salt Sustainable Global Property fund (which declined -0.83%) and the Salt Sustainable Global Infrastructure fund (down by -1.36%) counterbalanced the positive impact of the Sustainable Global Shares fund. The Core NZ Shares fund made a negative monthly contribution of -2.56% and the Global Fixed Interest fund had limited positive impact in November, rising 0.16%.

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Greg Fleming, MA