Salt Core NZ Shares Fund Fact Sheet – December 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 December 2023

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

Unit Price at 31 December 2023

Application	0.8942
Redemption	0.8905

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 December 2023

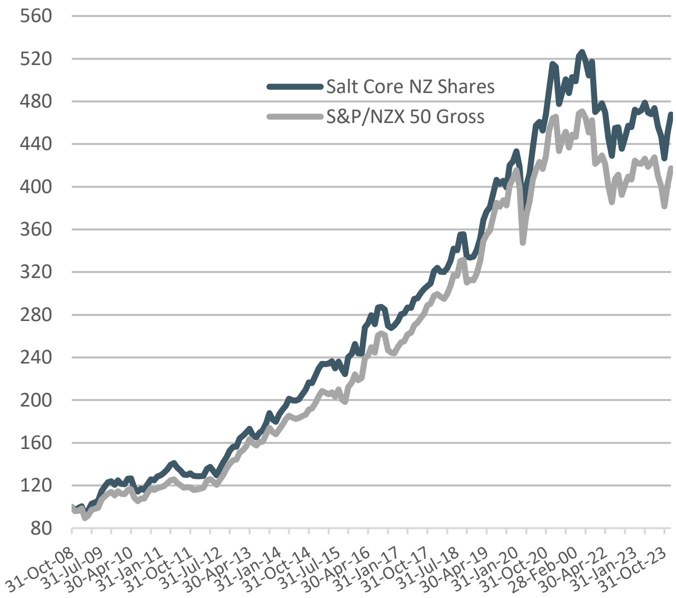
NZ shares	93.10%
Australian Shares	4.27%
Cash or cash equivalents	2.62%

Fund Performance to 31 December 2023

Period	Fund Return*	Benchmark Return
1 month	3.74%	3.89%
3 months	4.53%	4.20%
6 months	-0.07%	-1.22%
1 year	2.51%	2.60%
2 years p.a.	-4.91%	-4.97%
3 years p.a.	-3.17%	-3.48%
5 years p.a.	6.93%	5.97%
7 years p.a.	8.15%	7.97%
10 years p.a.	10.03%	9.53%
Inception p.a.	10.03%	9.17%

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 December 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
Mainfreight	Auckland International Airport
Freightways	Meridian Energy
Infratil	A2 Milk
Fisher & Paykel Healthcare	Sky City
Contact Energy	Goodman Property Trust

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Equities Market Commentary

After a tough Q3, the December quarter saw strong returns across nearly all asset classes. Progress on inflation saw markets anticipate earlier rate cuts leading to an 11.5% (USD) rally in developed market equities and an 8.1% return from the global bond index. Asset classes that had struggled most under the interest rate mantra of "higher for longer" such as REITs had some of the highest returns. Global REITs rallied 15% over the quarter.

Softer than expected inflation prints in the US and Europe had markets bringing forward rate cut expectations. Fuel was poured on the fire by a dovish December Fed statement, which removed the final hike from prior projections and added an extra cut in 2024. By the end of the quarter, US markets were pricing six 25-basis point cuts in 2024, an expectation we think will ultimately be disappointed.

Activity data in Japan remained somewhat sluggish. The BoJ left monetary policy unchanged at its December meeting, though we expect they may end their Yield Curve Control and Negative Interest Rate policies as early as their January meeting. This is based on our view that such moves are as much about policy normalisation as concerns about inflation. Mediocre December PMI readings out of China suggest that fourth quarter GDP will likely slip further. Some rebound in the manufacturing PMI in January 2024 is likely as pass-through of the Rmb1trn additional fiscal support to infrastructure projects flows through. However, its sustainability still bears watching. China's reflation journey will remain bumpy and gradual.

As we expected, the RBA resumed rate hikes in November following a run of stronger-than-expected activity, labour market and inflation data. The 25bp hike took the cash rate to 4.35%. They left rates unchanged at the December meeting, though we continue to expect one further hike to 4.6%, most likely at the February meeting.

NZ saw labour market pressures ease with a decline in employment and a rise in the unemployment rate from 3.6% to 3.9% over the September quarter. Wage growth also moderated. The biggest surprise was weaker-than-expected Q3 GDP growth, accompanied by significant downward revisions to prior data. This seems to put the nail in the coffin of the one further hike included in the RBNZ's November interest rate projections. However, it does not necessarily bring forward rate cuts. That will depend on whether the weaker growth data will be followed by soft inflation readings, particularly non-tradeable inflation.

Salt Core NZ Shares Fund Commentary

The Fund rose 4.53% over the busy December quarter, outperforming the NZX50Gross Index benchmark return of 4.20%.

The weakness experienced in the previous (September) quarter continued with 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.

Investors were also buoyed by some earnings updates. Fisher & Paykel Healthcare (+13.2%) rose after providing a better-than-expected profit update and outlook for 2024, Mainfreight (+17.9%) staged a relief rally after a better-than-feared first-half profit result, as did Turners Auctions (+25.0%). The Fund's holdings in CSL (+14.2%), and Macquarie Group (+11.0%) also recorded strong performances. Infratil (-1.0%) consolidated its recent gains.

The Fund managed to avoid some of the worst performers on the NZX over the quarter such as Air New Zealand (-13.0%), KMD Brands (-10.3%), and Hallenstein Glassons (-9.5%).

The Fund is underweight the retirement sector and despite staging a 9% rally in December, Ryman finished the quarter still down -6.5% on balance sheet concerns and dragging Summerset (+0.5%) with it. Arvida (-8.9%), revealed in December that it had received a conditional proposal to acquire the firm at $1.70 but had decided not to engage with the bidders as it was "not in the best interests of shareholders".

The Fund is also underweight the gentailer and airport sectors and the rally in bonds saw the crowd favourites Meridian Energy (+ 8.0%), Mercury (+5.6%) and Auckland Airport (+7.9%) finish the quarter strongly. Contact Energy disappointed investors with more delays to the opening of its Tauhara geothermal plant.

A solid performance from the Fund's long-held overweight position in Spark (+7.7%) was the largest contributor to the early outperformance of the Fund. However, Spark is now viewed as fairly valued, so the manager has switched a portion of the holding into Telstra. Likewise, having benefited from the prior outperformance of ANZ, the Fund switched its bank exposure from ANZ (+3.7%) to Westpac (+12.0%) at the beginning of November.

Paul Harrison, MBA, CA