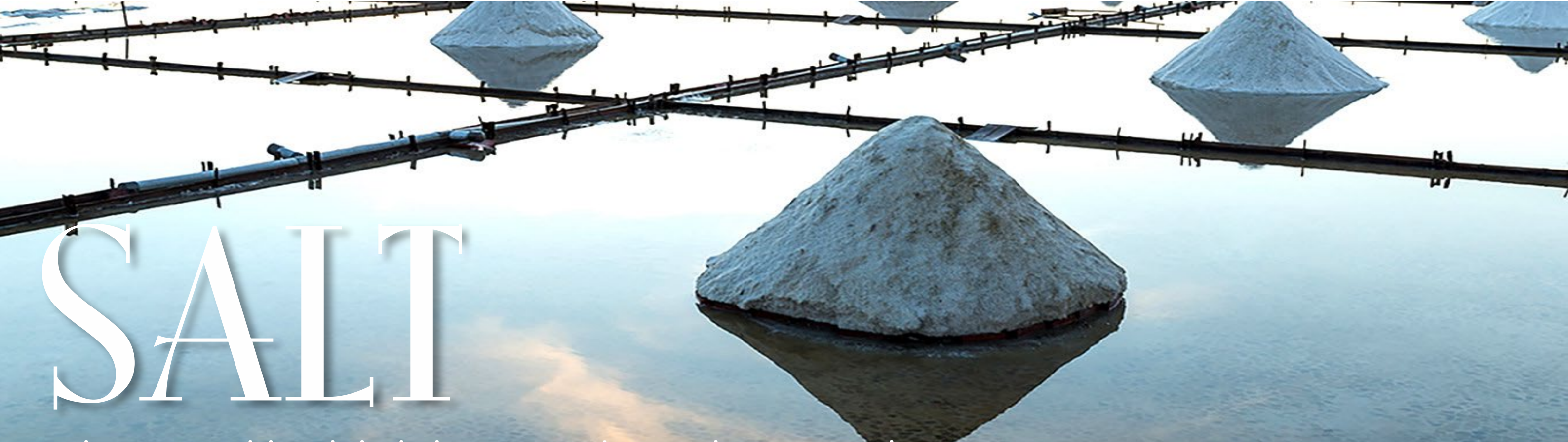


Salt Sustainable Global Shares Fund Fact Sheet – April 2022

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 Fund's investment objective is to outperform (after fees and expenses but before tax) the MSCI World (Net) Index in New Zealand dollars on a rolling three-year basis. To achieve this, the Fund targets a portfolio of global companies with high total return potential and high Environmental, Social and Governance (ESG) factor scores.

The strategy seeks to provide attractive long-term returns with less long-term volatility than the broader market by reducing the risks associated with poor ESG outcomes. The Fund will seek to achieve its investment objective by investing primarily in global equity.

Fund Facts at 30 April 2022

Benchmark	MSCI World (Net) Index in NZD
Fund Assets	$45.72 million
Inception Date	12 July 2021
Underlying Manager	Morgan Stanley Investment Management

Unit Price at 30 April 2022

Application	0.9870
Redemption	0.9829

Investment Guidelines

The guidelines for the Sustainable Global Shares Fund are:

Global Equities	95% – 100%
Cash	0% – 5%

Target investment Mix

The target investment mix for the Salt Sustainable Global Shares Fund is:

Global equities	100%

Fund Allocation at 30 April 2022

Global equities	98%
Cash	2 %

Fund Performance to 30 April 2022

Period	Fund Return*	Benchmark Return
1 month	-0.17%	-1.74%
3 months	-8.47%	-7.30%
6 months	-3.31%	-2.43%
Since inception	-1.51%	-0.59%

Performance is after fees and tax, but not adjusted for imputation credits. Benchmark performance is gross. Past performance is not a guarantee of future results. Data as of 30 April 2021.

Top 10 holdings	
Microsoft (US)	Danaher (US)
VISA (US)	Thermo Fisher Scientific (US)
Reckitt Benckiser (UK)	Baxter International (US)
Accenture (IRE)	Abbott Laboratories (US)
SAP (DE)	Constellation Software (CA)

Source: MSIM, data as at 31 March 2022

Market Review

- Following a difficult first quarter of 2022 for markets, there was no respite in April. The ongoing war in Ukraine, Covid lockdowns in China and the prospects of significantly tighter monetary policy in several major countries all weighed on markets.

- The global economy entered 2022 with strong tailwinds, many of which including tight labour markets and high levels of pent-up savings remain. But the risks to the outlook are building, especially as monetary policy tightening peaks in 2023 and the economic cycle bottoms out. Earnings have held up in Q1 22.

- Global equites returned -8% in April (in USD) and fixed income was not far behind as US 10-year Treasury yields approached 3%. Expectations of the degree of monetary policy tightening was ramped up over the month, most notably in the US, the UK and Australia. More defensive equity markets such as Japan, the UK and Switzerland were more resilient than the US and Emerging Markets. On 2022 YTD basis, global equities were down by -11% but in unhedged NZ Dollar terms, this was cushioned as NZD/USD accelerated its weakening trend, depreciating by 7.4% in April.

- The 2022 weakness in equity markets has rapidly reduced the prevailing level of over-valuation present at the end of 2021. In the US, the forward 12-month P/E ratio of the S&P 500 has declined to 16.6, which is below both its 5-year average (18.6) and even its 10-year average (16.9.)

- The war in Ukraine intensified over the month with no sign of resolution in sight. The most notable economic impact is on energy markets as Europe faces into the challenge of reducing its energy dependency on Russia.

- In the US the Federal Open Market Committee (FOMC) appears ready to accelerate the pace of rate hikes from as early as their May meeting. Markets are now pricing a series of 50bp hikes following comments from several FOMC participants suggesting the need for an expeditious move in the Fed funds rate to neutral.
- Chinese authorities are struggling to contain a major Covid outbreak, with Shanghai spending the whole of April in lockdown. Easier monetary and fiscal policy will provide some support to growth, but the official 2022 GDP target of 5.5% is increasingly challenged.
- In Australia, a larger than expected increase in the March quarter CPI has seen markets bring forward the likely timing of the first interest rate hike by the RBA to May, and RBA delivered +25bps.

Portfolio Review

In April, the Portfolio returned -0.17% (after fees), outperforming the MSCI World Net Index which returned -1.74%. However, for the three months to April 30th the portfolio declined by -8.47% (after fees) thus, lagging its benchmark.

• Outperformance in April was largely driven by positive stock selection in Information Technology and Industrials more than outweighing underperformance in Health Care.
• Despite Information Technology weakness and our zero weighting in Energy, sector allocation was positive, driven by the Portfolio's overweights in the defensive Consumer Staples and Health Care sectors and the underweights in the more cyclical Consumer Discretionary and Communication Services.
• The largest positive contributors to absolute performance during the month were Reckitt Benckiser (+51 basis points [bps]), Iqvia (+49 bps), Atlas Copco (+23 bps), Visa (+17 bps) and Roper Technologies (+14 bps). The largest absolute detractors were Medtronic (-54 bps), Alphabet (-39 bps), Microsoft (-24 bps), Intercontinental Exchange (-20 bps) and Accenture (-19 bps).

Earnings estimates continue to rise, up 59% on June 2020 trough and 25% on pre-pandemic end 2019 level. Forecast EBIT margins still rising – at 20-year peak and 23% above average Russia-Ukraine conflict has changed geopolitical environment and accelerated ongoing de-globalization.
Inflation brings risks to economic growth and earnings Inflation should help nominal (if not real) sales growth in the short term.
Margins are under threat as companies absorb input costs, which are being aggravated further by Russia-Ukraine conflict and China COVID restrictions Not yet clear how much cost pressures will spread from commodities and goods to labour.
Potential for demand destruction as consumers' real incomes hit by rising inflation Central banks face tough policy-making challenge controlling inflation without causing a recession.
Both pricing power and recurring revenues likely to be valuable in this uncertain environment. Pricing power, underpinned by brands, networks or mission-critical products, allow companies to pass on input costs to customers. Recurring revenues, due to purchasing habits or subscription models, protect the top-line in any slowdown.

As of 30 April, 2022, the Portfolio's carbon footprint is 84% lower than the MSCI AC World Index's and 81% lower than the MSCI World's.

Portfolio Outlook

Against a backdrop of persistently high global inflation and the prospect of faster US interest rate hikes, alongside the Ukraine crisis, the sell-off in global equity and bond markets has dominated 2022 year-to date. In equities, this market drop has been down to a de-rating in terms of investors accepting lower price-earnings multiples for a set of major companies, rather than to any sharp fall in market earnings expectations. Forward earnings estimates have actually risen recently, after the Q1 2022 US Earnings season, and analysts are now forecasting full-year 2022 earnings growth of 10.1%. The impact of inflation and input costs on profits is beginning to be felt, within many industries.

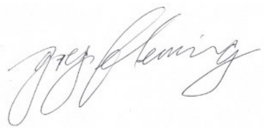
The process for selecting stocks has been consistent for a quarter of a century in MSIM global strategies. Both this history and basic economics suggest that the Sustainable Global Shares Portfolio's earnings should be relatively resilient in a squeeze on wider market profitability, be it due to inflation, governments' reaction to inflation or a geopolitical crisis. Higher interest rates challenge firms with distant profit prospects.

The market remains vulnerable, especially if the current geopolitical crisis worsens, with the MSCI World Index over 17x forward earnings and the S&P 500 at 16.7 times forward earnings, a multiple never reached between 2003 and 2019. In a deeply uncertain world climate, we would argue that limiting uncertainty by owning a portfolio of relatively predictable compounders makes sense, particularly when they are available at a modest free cash flow premium to the market.

Inflation is a significant potential threat to both multiples and earnings. 2022 has so far seen a multiple compression on the more expensive stocks, as higher discount rates have a bigger effect on "growthier" and therefore longer duration assets. Going forward, inflationary costs pressures may well squeeze margins and thus earnings. Importantly, our view is that the portfolio is positioned to provide some resilience to both threats.

The team's focus on valuation risk over the last few years has contributed to the portfolio's relatively low free cash flow premium relative to the index. Moving on to the earnings risk, **pricing power is one of the key characteristics we look for in our stock selection process**. The companies' intangible assets, be they brands or networks, should allow them to pass on rising input costs to their customers, protecting margins. In addition, in the case where government actions against inflation cause an economic slowdown, or even a recession, recurring revenue, another factor we focus on, should protect the portfolio's earnings just as it did in 2008-9 and in early 2020.

Whatever the pace of change in 2022, efforts to create a sustainable future is a game that's played out in decades, not months. As the transition takes place, we believe companies with a strong awareness are more likely to stay on top of their game and deliver long-term returns for clients. As bottom-up stock pickers, we're determined to keep seeking better outcomes, to learn and improve our offering to you, and to keep pressing for progress from the world's best companies.



Greg Fleming, MA