

SALT

Salt Core NZ Shares Fund Fact Sheet – April 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 30 April 2023

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

Unit Price at 30 April 2023

Application	0.9416
Redemption	0.9377

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 April 2023

NZ shares	94.89%
Australian Shares	1.27%
Cash or cash equivalents	3.84%

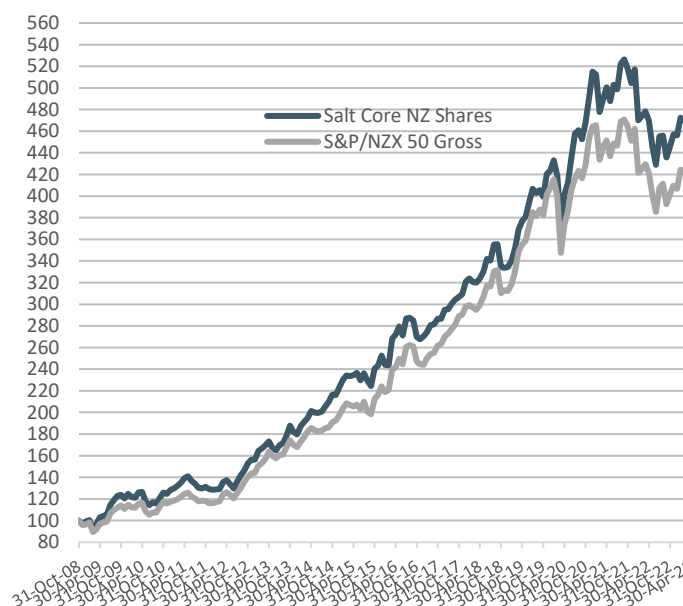
Fund Performance to 30 April 2023

Period	Fund Return*	Benchmark Return
1 month	1.51%	1.14%
3 months	1.35%	0.44%
6 months	7.38%	6.02%
1-year p.a.	1.91%	1.15%
2 years p.a.	-2.21%	-2.83%
3 years p.a.	6.06%	4.51%
5 years p.a.	8.13%	7.32%
7 years p.a.	8.41%	8.43%
10 years p.a.	10.71%	10.05%
Inception p.a.	10.69%	9.76%

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 30 April 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
Spark NZ	Auckland International Airport
Infratil	Meridian Energy
Fisher & Paykel Healthcare	Genesis Energy
Mainfreight	Chorus Networks
Pacific Edge	Property for Industry

SALT FUNDS MANAGEMENT

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Equities Market Commentary

Global economic news remained resilient despite higher interest rates in April. PMIs beat expectations in the US and Eurozone, while GDP growth rose in China as it re-opened. Developed market equities rose 1.8% (in USD) over the month.

Headline inflation moderated as energy prices fell on fears of future demand weakness but core services inflation continued to prove sticky across most economies. Despite that, we may be close to a peak in the hiking cycle amongst the major central banks, although the RBA, Fed and ECB all lifted policy rates in early May. While financial markets are pricing in policy cuts from the third quarter onwards, these expectations appear premature given the persistence of some elements of inflation pressure.

Despite clear and obvious signs of a slowing domestic economy, the RBNZ surprised markets with a hawkish 50bp hike in the Official Cash Rate, taking it to 5.25%. Later in the month, March quarter inflation printed significantly below RBNZ expectations, though the important tradeables component was only marginally lower than expected. Markets are currently pricing a likely final 25bp increase in the OCR to 5.5% in May. NZ equities slightly lagged their global peers with a 1.1% advance and NZ 10-year bond yields declined from 4.34% to 4.09%.

Salt Core NZ Shares Fund Commentary

The New Zealand equity market, as measured by the NZX50Gross Index, reported a rise of +1.14% for the month of April. The Fund achieved a good outperformance with a return of +1.51% (after fees, before PIE tax) as it benefited from the strong returns recorded by many of its core holdings including Spark (+3.4%), Fletcher Building (+3.2%), CSL (+4.3%), Fisher & Paykel Healthcare (+3.9%), Mainfreight (+2.4%), and Infratil (+3.8%). These stock holdings reflect the Manager's strategy of owning companies with solid balance sheets, defensive revenues, and an ability to manage costs.

Pacific Edge (+8.1%) recovered some of its losses as it approaches the anniversary of the announcement that Novitas was proposing a new method of including products for CMS reimbursement. Novartis has a 12-month window to either adopt or amend the proposal, otherwise the proposal expires. As the original controversial proposal has not been adopted yet, investors appear to be hoping that a watered-down proposal will be adopted, or that the status quo will remain.

The only notable blemish for the Fund was the performance of Summerset Group (-7.5%) which reported slower than expected sales for the March quarter. The slowdown in turnover in the residential property market is clearly having an impact on the ability of potential retirement residents to sell their homes and move into a village. Other stocks in the sector were mixed with Ryman (+1.0%), Arvida (+11.8%) and Oceania (-5.5%).

The Fund does not hold any Synlait Milk (-24.4%) who announced another downgrade to profit expectations. The reason for this downgrade was largely related to expectations of weaker orders from a2 Milk (-5.5%). The Fund has a lower than market position in A2 Milk.

During the month, the Manager reduced the holdings in Spark, Fletcher Building and Goodman Property as well as exiting Arvida. The Fund's holdings in ANZ Bank, Auckland Airport, and a2Milk we added to opportunistically and the Fund also began to build a position in Australian food retailer Coles.



Paul Harrison, MBA, CA