Salt Core NZ Shares Fund Fact Sheet – September 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 September 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$42 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 30 September 2023

Application	0.8707
Redemption	0.8671

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 30 September 2023

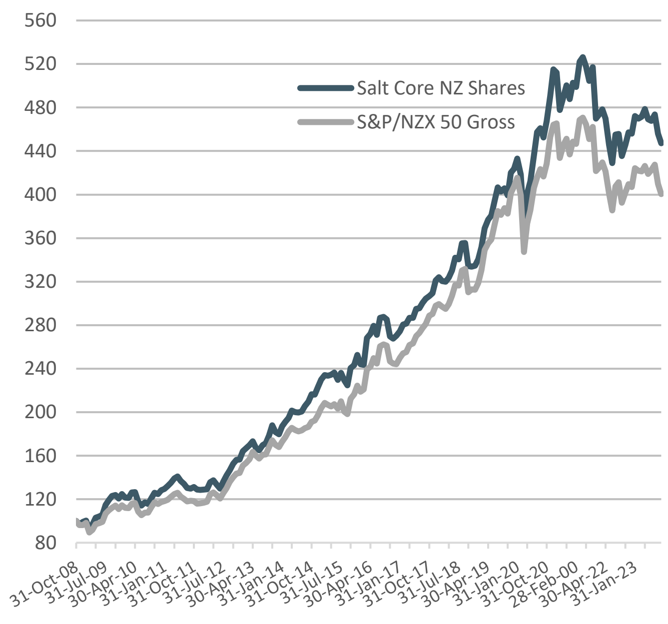
NZ shares	94.85%
Australian Shares	1.94%
Cash or cash equivalents	3.21%

Fund Performance to 30 September 2023

Period	Fund Return*	Benchmark Return
1 month	-1.93%	-2.23%
3 months	-4.40%	-5.20%
6 months	-5.14%	-4.96%
1 year	2.70%	2.09%
2 years p.a.	-7.81%	-7.75%
3 years p.a.	-0.39%	-1.30%
5 years p.a.	4.70%	3.85%
7 years p.a.	6.65%	6.31%
10 years p.a.	9.62%	9.08%
Inception p.a.	9.88%	9.03%

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 September 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
Resmed	Auckland International Airport
Infratil	Sky City
Freightways	Meridian Energy
Fisher & Paykel Healthcare	Goodman Property Trust
Spark	Property for Industry

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
Email: info@saltfunds.co.nz | www.saltfunds.co.nz

Equities Market Commentary

The quarter saw global equities stumble in the face higher bond yields. The MSCI World Index fell -3.4% (in USD) over the quarter, though it was still up a healthy 11.1% year-to-date. US 10-year bond yields rose from 3.88% to 4.54% and the global aggregate bond benchmark declined -3.6%.

Bond markets trembled as they realised that interest rates would remain higher for longer as central banks sought to tame stubbornly high inflation. Fiscal sustainability has been another focus, particularly in the USA, where concerns are rising about the amount of issuance from the large fiscal deficit. Oil prices surged 28% and present another headwind to consumer demand and will be problematic for central banks as headline inflation reaccelerates.

Key US activity data expanded. Third quarter GDP growth is tracking at a healthy 1.2% (q/q annualised). Headline inflation rose again on the back of higher oil prices, but core declined to an annual 4.3%. The Fed left interest rates unchanged in September, though projections showed one more hike and less easing next year. The ECB raised its deposit rate by 25bps to 4% but the Bank of England, in a surprise move, left rates unchanged at 5.25%.

China economic data improved in August with a reacceleration in both retail sales and industrial production and, after a brief flirtation with deflation, the annual rate of CPI inflation rose to 0.1%. Real estate distress remained a key focus, but the authorities have been eager to signal support by easing banks' Reserve Requirement Ratio. In Japan, the BoJ kept its policy stance unchanged, maintaining its widened Yield Curve Control. The Statement was dovish although Governor Ueda didn't push back on speculation of further monetary policy normalisation in the months ahead.

Australian activity and inflation data came in stronger than expected though the RBA, in its first meeting under new Governor Michele Bullock, left rates unchanged for a third consecutive meeting. We see a high chance of a further hike at the November meeting. In NZ, the RBNZ unsurprisingly left interest rates unchanged at the August Monetary Policy Statement but emphasised the higher for longer message.

Salt Core NZ Shares Fund Commentary

Australian and New Zealand equities fell through the September quarter as investors dealt with rising interest rates, weak offshore markets, and an underwhelming corporate reporting season. The NZX50 Gross index fell -5.2% over the quarter. The Fund outperformed its benchmark with a return of -4.4%.

There were, however, some stocks that recorded positive share price performance. Pacific Edge (+39.0%) had the largest rally as it bounced after the Associate General Counsel of the US Department of Health and Human Services put a hold on the changes to reimbursement methodology proposed by Novitas. Novitas has now been required to initiate a consultation process to allow companies such as Pacific Edge the opportunity to respond to the assumptions that Novitas has based its decision upon. Other tailwinds included ANZ Bank (+7.8%), Summerset Group (+7.5%), Turners (+6.0%), Air New Zealand (+4.3%), Contact Energy (+2.7%), and Freightways (+1.3%). The Fund's largest overweight, Infratil (+0.6%) held steady over the quarter.

The Fund's relative performance benefited from a sizable underweight in Auckland Airport (-6.8%). Auckland Airport has been viewed by the Manager as too expensive relative to its regulated return on capital and we are concerned that air traffic recovery towards pre-Covid levels is proving to be slow. In addition, there appears to be a hardening of the regulatory view on the rate of return allowed on airport infrastructure assets. The Auckland Council stake sale process also created an overhang during the quarter.

The Fund's underweight position in a2 Milk (-14.8%) and Synlait (-13.9%) helped relative performance as they fell on nervousness around Chinese economic and population growth impacting demand for infant formula. The announcement by a2 Milk that the exclusive manufacturing arrangement with Synlait would be terminated also did not help investor sentiment either.

Some property stocks were particularly challenged over August with the overall NZX Real Estate Select Index falling -5.8% with Precinct (-9.6%), Investore (-8.9%), Vital HealthCare (-8.1%) and Stride (-7.6%) particularly weak.

The largest negative for the Fund came from Fisher & Paykel Healthcare (-11.9%) which came under pressure from a weaker update than expected at its AGM and the emergence of a new weight loss drug as a potential treatment for sleep apnea.

Early in the quarter, the Manager sought to reduce its exposure to the listed property companies GMT and Precinct, further lowered its a2 Milk and Ebos. Given the weakness of the market in August and September, the Manager was a cautious buyer of Mainfreight, Serko, and Contact Energy as well as Auckland Airport and Genesis Energy which had both come under selling pressure for non-fundamental reasons.

Paul Harrison, MBA, CA