

# SALT

## Salt Core NZ Shares Fund Fact Sheet – September 2021

### Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in managing NZ/Australian equity and listed property mandates for wholesale and retail clients.

### 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 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$47.7 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

### Unit Price at 30 September 2021

Application	1.0765
Redemption	1.0722

### 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 2021

NZ shares	91.13%
Australian Shares	1.31%
Cash or cash equivalents	7.56%

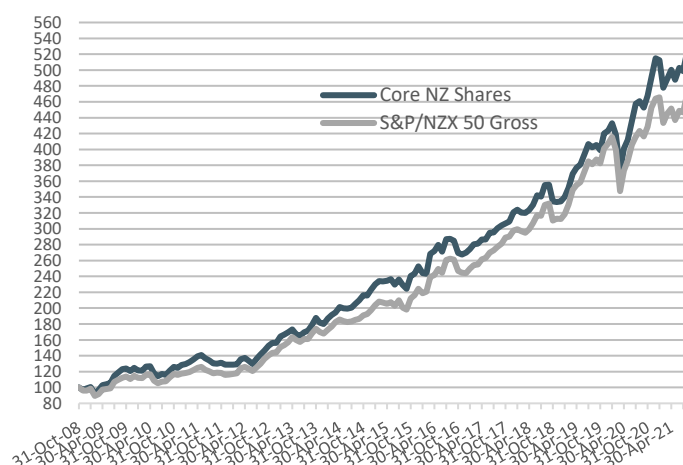
### Fund Performance to 30 September 2021

Period	Fund Return*	Benchmark Return
1 month	0.78%	0.43%
3 months	4.68%	4.91%
6 months	7.52%	5.69%
1-year p.a.	16.29%	13.01%
2 years p.a.	13.91%	10.23%
3 years p.a.	13.98%	12.39%
5 years p.a.	13.04%	12.52%
10 years p.a.	14.04%	14.16%
Inception p.a.	15.03%	14.79%

Performance is after all fees and does not include imputation credits or PIE tax.

\*From 1 November 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 2021\*



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

Spark NZ  
Pacific Edge  
Brambles  
Mainfreight  
Summerset

### Top Underweights

Ryman Healthcare  
Goodman Property Trust  
Z Energy  
Genesis Energy  
Auckland International Airport

### SALT FUNDS MANAGEMENT

Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143

P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

## Monthly Market Commentary

The global economic reopening continued in the September quarter but supply disruptions continued to prove problematic and inflation pressures rose. As the quarter progressed, concerns emerged about the growth outlook as it appeared many economies were past the peak in the Covid-reopening recovery. Central banks became more attuned to the likely persistence of above target inflation and the Norges Bank in Norway became the first developed central bank to hike. Bond yields rallied strongly early in the quarter but sold off latterly.

Developed market equities were broadly flat as a modest decline in September erased earlier gains. The MSCI World Index declined 0.4% (in USD) over the quarter. The annual gain was a still healthy 27.2%.

In the USA, growth and inflation trends were strong enough for the Fed to signal it will soon start withdrawing monetary stimulus. The S&P500 was flat over the quarter, at +0.2% but was still up +28.6% over the year. US 10-year yields rose 0.08% over the quarter to 1.52% but did reach a low of 1.17%.

European data was somewhat mixed, with retail sales declining but industrial production rising. Medium term prospects look positive as an earlier spike in Covid cases has started to decline. Germany and France have reported solid gains in household disposable income which bodes well for ongoing recovery in consumer spending. The FTSE Europe ex-UK index rose 1.0% (in EUR) over the quarter and 29.8% over the year. In the United Kingdom the FTSE All-Share index was up 1.1% over the quarter (in GBP) and 22.9% over the year.

The Australian economy is struggling under continuing lockdowns in two key states. The RBA followed through with a reduction in bond purchases in September but has pushed out the time at which it would next review the program by three months to February 2022. The ASX 200 rose +0.3% over the quarter and +26.6% over the year.

**The New Zealand economy is proving to be resilient during the latest lockdown, with many firms expecting a swift recovery as restrictions ease. Labour market indicators are particularly tight. We expect the RBNZ to raise interest rates in October and again in November. NZ 10-year yields rose from 1.76% over the quarter to 1.97%. The S&P/NZX50 rose +4.9% (in NZD) over the quarter to be +12.3% over the year.**

## Salt Core NZ Shares Fund Commentary

**The S&P/NZX50 Gross rose 0.43% in September, taking the return for the 3rd quarter to 4.91% across a solid reporting season, despite rising yields and drawn-out lockdowns for most of the country. The Fund returned 4.68%, slightly underperforming the benchmark.**

The quarter also saw a strong reporting season whilst most of the country stayed home in lockdown as the delta variant of Covid-19 got a firm foothold within our borders. As expected the market has largely looked through the short-term lockdown disruption and is taking confidence in the 80%+ of eligible population that have already had at least one vaccine shot.

The main headwind for the Fund was the takeover of Z-Energy (+25%) of which the fund had zero exposure mostly due to quality and ESG factors. The next was due to Tower Insurance (-12%) given a higher-than-normal number of bad weather and fire events compounded by an elevated claims cost environment that forced the company to downgrade earnings. Our slightly larger underweight in Ryman (+15%) versus our overweight in Summerset (+14%), not owning Heartland (+20%) nor Skellerup (+17%) weighed on performance as did an ill-timed addition of Brambles (-5%) to the portfolio. Our thesis for Brambles which remains largely intact is that the longer-term growth opportunity is strong and return on incremental capital deployed is attractive.

The standout contributor to performance was the large overweight in Pacific Edge (+24%) kicking off an ASX dual listing with a large cap raise that will enable the company to accelerate sales. Mainfreight (+27%) surged on the addition to the MSCI index and a trading update confirming ongoing growth. Our underweights in NZX (-13%) and Trustpower (-10%) and our overweight in EBOS (+11%) all added to performance.

**During the month, the Fund was an opportunistic buyer of EBOS, Meridian, Summerset, Arvida, Spark, Pushpay and Mainfreight. Sales included Chorus, Contact Energy, Pacific Edge, and Ryman.**



Paul Harrison, MBA, CA