Salt NZ Dividend Appreciation Fund Fact Sheet – February 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 NZ Dividend Appreciation Fund targets a portfolio of shares of New Zealand companies that may, in our opinion, pay high and sustainable dividends. A considerable body of robust research suggests that stocks with strong and sustained dividend policies tend to generate higher free cash flow than average and outperform their index benchmarks over time. The strategy is not intended to naively generate the highest possible yield but rather to generate a high and sustainable dividend yield.

Fund Facts at 28 February 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$104 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 28 February 2021

Application	1.7319
Redemption	1.7249

Investment Guidelines

The guidelines for the NZ Dividend Appreciation Fund are shown below:

NZ shares	95% – 100%
Cash	0% – 5%
Unlisted securities	0% – 5%
Maximum active position	8%

Target investment Mix

The target investment mix for the Salt Dividend Appreciation Fund is:

Australasian Equities	100%

Fund Allocation at 28 February 2021

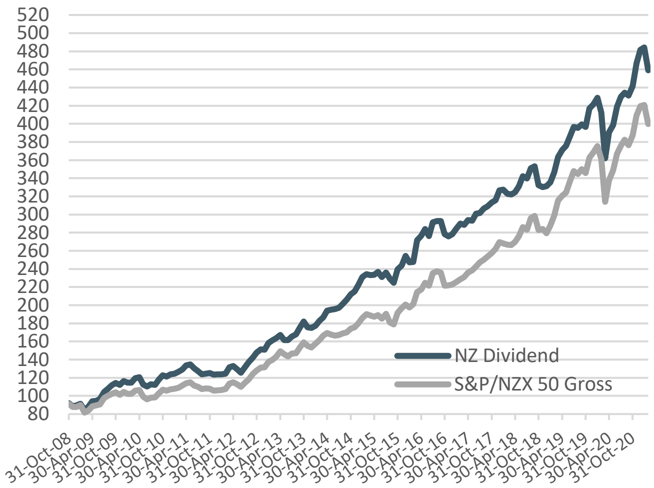
NZ shares	99.23%
Cash	0.77%

Fund Performance to 28 February 2021

Period	Fund Return*	Benchmark Return
1 month	-6.27%	-6.86%
3 months	-2.76%	-4.24%
6 months	4.51%	2.42%
1 year	10.04%	8.57%
2-year p.a.	14.39%	14.51%
3 years p.a.	12.00%	13.45%
5 years p.a.	12.86%	14.43%
7 years p.a.	13.85%	13.66%
10 years p.a.	13.60%	13.75%
Inception p.a.	12.95%	11.72%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 November 2008 to 30 June 2015, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 28 February 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	Top Underweights
Tower	Ryman Healthcare
Turners Automotive	Ports of Tauranga
Spark NZ	Genesis Energy
Marsden Maritime Holdings	Goodman Property Trust
Oceania	Z Energy

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Monthly Equities Market Commentary

Globally equities were in "risk on" mode during February, with the MSCI World Accumulation Index clawing back January's loss and rising +2.6%.

US stocks trended higher as 80% of earnings results beat consensus, underpinned by the Democrats putting forward $1.9T of fiscal stimulus in the House and the Fed's dovish outlook comments and commitment to low rates for an extended period. As the month wore on, fears of higher inflation and surging long dated yields sparked a strong rotation from long-dated growth stocks into cyclicals and value, resulting in the S&P500 and the Dow (+2.6% and +3.2% respectively) outperforming the tech-heavy Nasdaq (+0.9%).

European and UK stocks started the month well but gave back some earlier gains into the end of the month despite 70% of the Stoxx600 earnings results beating consensus. The UK's FTSE100 added +1.8%, Germany's DAX30 +2.6% and France's CAC +5.6%.

Markets in Asia followed a similar trajectory through the month countered somewhat as local yields rose. Japan's Nikkei (+4.7%) and Hong Kong's Hang Seng (+2.5%) outperformed the Shanghai Composite (-0.3%) as comments from the Politburo were aimed at lowering expectations for further stimulus.

Australia's S&P/ASX200 rose +1% after a strong start as state borders reopened and the surprise expansion of the RBA bond buying program. Victoria re-entered a 5-day lockdown, overriding positive employment data and sending stocks lower. Surging commodity prices and a rally in 10-year bond yields drove Materials (+7.2%) and Financials (+4.5%), while Technology was aggressively sold off (-9.1%).

NZ's S&P/NZX50 Gross fell -6.9% despite a strong reporting season where earnings beats outnumbered misses by 5:1. The best performers were Vista (+14%) on the re-opening trade, Skellerup (+14%) on a strong result, while an improved outlook and rotation into cyclicals drove Westpac (+13%) higher. The biggest declines were seen in large caps Meridian (-20%) and Contact Energy (-16%) pulling back after last month's clean ETF related surge, and a2 Milk (-16%) on a guidance downgrade.

Salt NZ Dividend Fund Commentary

The Fund outperformed its benchmark in the month of February, declining by -6.27% compared to the sharp -6.86% retreat by the S&P/NZX50 Gross Index.

A feature of the month was the sharp decline in Contact Energy (CEN, -16.3%) and Meridian Energy (MEL, -20.3%). These two major NZ gentailer stocks are part of the S&P Global Clean Energy Index and have been extremely volatile since November thanks to global passive funds based on that benchmark. This Fund's exposure was largely neutral, with the loss from the CEN overweight being almost exactly offset by the gain on the MEL underweight. The Fund's underweights in Mercury (MCY, -15.1%) and Genesis Energy (GNE, -10.8%) also assisted performance.

The largest positive contribution came from the long-standing holding in Tower (TWR, +8.0%). They acquired the legacy ANZ Bank insurance portfolio that they have underwritten for many years in what is likely to be a highly accretive deal based on reasonable retention assumptions. This is a classic opportunity that TWR has to deploy its capital-rich balance sheet and we expect further examples of organic and inorganic growth. Late month at its ASM, TWR reiterated its earnings guidance and critically stated their intention to pay a 2.5cps interim dividend and target 6cps for the fully year. This is material on a 75cps share price.

Aside from the CEN overweight, headwinds were relatively modest and came from a variety of overweights in what was a tough month for the market. Turners (TRA, -3.4%) gave back some of its prior month strength on no news of note. Spark (SPK, -4.4%) fell slightly despite a solid result and reiteration of 25cps dividend guidance which had earlier had a touch of doubt attached to it. Oceania Healthcare (OCA, -8.2%) pulled back after a very strong run in recent months. It may be that the market is starting to search out a top in NZ's remarkable housing boom and the Fund is underweight the sector overall.

At month-end we estimate the Fund has a forward gross dividend yield of circa 3.7%, which is approximately 0.4% in excess of that of the benchmark.

Matthew Goodson, CFA