Salt Core NZ Shares Fund Fact Sheet – June 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 June 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$32 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 30 June 2021

Application	1.0285
Redemption	1.0243

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 June 2021

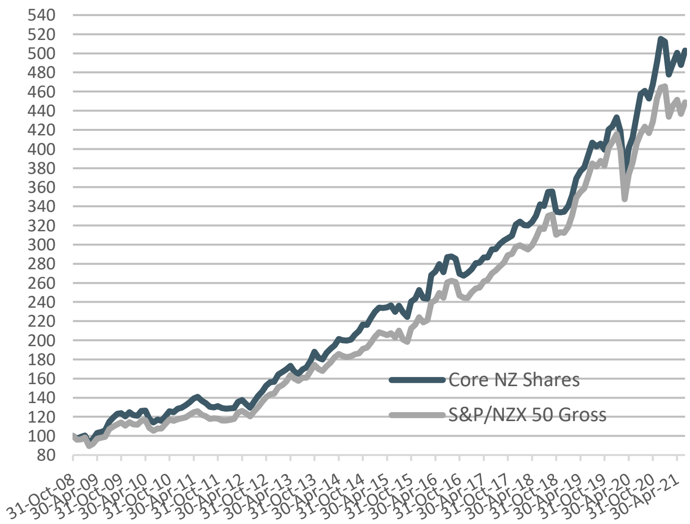
NZ shares	94.42%
Australian Shares	0.55%
Cash or cash equivalents	5.03%

Fund Performance to 30 June 2021

Period	Fund Return*	Benchmark Return
1 month	-2.55%	-3.22%
3 months	2.12%	0.76%
6 months	-0.56%	-3.51%
1-year p.a.	18.36%	13.22%
2 years p.a.	13.18%	10.35%
3 years p.a.	13.89%	12.48%
5 years p.a.	11.78%	11.85%
10 years p.a.	13.59%	13.18%
Inception p.a.	13.22%	13.26%

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 June 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
Spark NZ	Ryman Healthcare
Pacific Edge	Genesis Energy
Infratil	Goodman Property Trust
Mainfreight	Ports of Tauranga
Freightways	Property For Industry

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Quarterly Market Commentary

Global equities made strong gains over the June quarter, supported by the accelerating deployment of the various Covid-19 vaccines around the world and aided by aggressive monetary and fiscal support. The MSCI World Index rose 7.7% in USD terms over the quarter to be up 39.0% over the year.

US March GDP printed at a +6.4% annualized pace with strong consumption activity but also the continuation of the nascent upward trend in business investment. Inflation data received most market attention as the annual rate of CPI inflation reached 5% in the year to May. The more closely watched core inflation came in at +3.8%.

The US Fed left policy settings unchanged, though the projections indicated two rate increases in 2023, where none had been indicated before. This caused some volatility in markets which quickly settled down once Fed Chairman Jay Powell encouraged markets to take the projections with "a big grain of salt". The S&P 500 rose 8.6% in USD terms over the quarter to be 40.8% higher than year ago levels. 10-year bond yields declined from 1.74% to 1.47%, still around 80 basis points higher than year ago levels.

Economic data was also strong in Europe and Eurozone shares rose +7.4% (FTSE Europe ex-UK). The composite PMI rose in June to its highest level since June 2006. Eurozone inflation is also rising but at an annual rate of 1.9% is not experiencing the same rate of increase as the US. Of the major central banks, the European Central Bank is expected to be one of the last to tighten.

The Australian economy continues to perform well. A surprisingly large gain in employment in the May month saw the unemployment rate drop to 5.1%, lower than pre- pandemic. Despite some renewed Covid restrictions, the strong data raised expectations of a change in monetary settings at the RBA's July meeting. The S&P/ASX200 rose 7.7% over the quarter and 23.9% over the year in AUD terms.

Despite a similarly strong economic performance, the NZ share market struggled. The S&P/NZX50 index rose 0.8% in the quarter and +10.5% for the year. It is - 6.7% from its peak in January, which coincided with the low in interest rates. Defensive high-dividend companies, which tend to dominate the NZ index, have underperformed those benefitting from the cyclical improvement in the economy.

The RBNZ reiterated their belief in the transitory nature of current inflationary pressure, something we are less sanguine about. Since then, we have seen an exceptionally strong March quarter GDP result which has effectively consumed all the RBNZ's assumed spare capacity in the economy. Market pricing has brought the expected start of the interest rate tightening cycle to late 2021. We expect the RBNZ will soon start preparing the market up for an imminent tightening.

Salt Core NZ Shares Fund Commentary

As the rest of the world's equity markets rallied strongly through the June quarter, New Zealand equities were well and truly left behind with the NZX50Gross Index struggling to a 0.75% return. The Fund however, outperformed, reporting a 3.06% return for the quarter.

Cyclically exposed names such as Turners Auctions (+31.9%), Freightways (+11.5%), Mainfreight (+10.9%), Fletcher Building (+6.2%), and Brambles (+8.1%) posted strong gains for the Fund as investors anticipated benefits from the increasingly positive outlook for economic growth. Pacific Edge Biotech (+21.8%) performed well again after it announced that one of the largest US health insurers, United Healthcare, would include Cxbladder in coverage for its "Medicare Advantage" policy members.

Fisher & Paykel Healthcare (-2.1%) share price had a wild ride over the quarter. The April rise of +12.0% was erased with a 17.1% fall in May after the company revealed that sales of its products had tailed off quicker than expected as hospital admissions in the USA associated with Covid19 declined. The market was surprised by the speed of the sales slowdown in the US and the lack of offset by sales from other countries still struggling to get Covid19 under control. The Manager had been running an underweight position in Fisher & Paykel Healthcare on the view that some slowdown could become apparent, but we were surprised by the rate of slowdown that was experienced in the fourth quarter. Fisher & Paykel Healthcare remains a very high-quality business, but the Manager is being cautious about adding much more to the Fund's holdings until more confidence can be gained around the level of ongoing core earnings and any overstocking due to heavy ordering during the peak of the US Covid19 outbreak is worked through.

Earnings downgrades from ongoing channel disruptions saw a2 Milk (-25.3%) punished by the market. A2 Milk's problems initially had flow on impact for Synlait which also fell (-8.5%) but recovered late in the quarter to finish up 6.7%. The Manager remains slightly overweight a2 Milk and Synlait as there is significant value appearing, but we remain wary of the considerable disruption the companies are currently experiencing and the time it will take to transition through this.

Another interesting characteristic was the variances in the performance of stocks in the same sector. In the retirement sector Summerset rose (+10.5%) versus Ryman falling (-13.3%), Gentailers saw Meridan (-1.1%) and Genesis (-2.6%) both fall while Contact Energy was up strongly (+18.1%), even property sector experienced performances ranging from Vital Healthcare (+7.3%) down to Kiwi Incoe (-3.3%).

The Fund also benefited from its low or zero holdings in very weak stocks such as Fonterra (-20.7%), Pushpay (-13.5%), Chorus (-9.6%), Air NZ (-9.4%), Ports of Tauranga (-8.8%), and Auckland Airport (-7.3%).

During the quarter, the Fund was an opportunistic "backfoot" buyer of Meridian, Sky City, and Fisher & Paykel Healthcare. Selling included some early selling of Mercury, as well as Oceania and Scales.

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Paul Harrison, MBA, CA