Salt NZ Dividend Appreciation Fund Fact Sheet – November 2021

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 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 30 November 2021

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$99.7 million
Inception Date	30 September 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 November 2021

Application	1.7828
Redemption	1.7756

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 30 November 2021

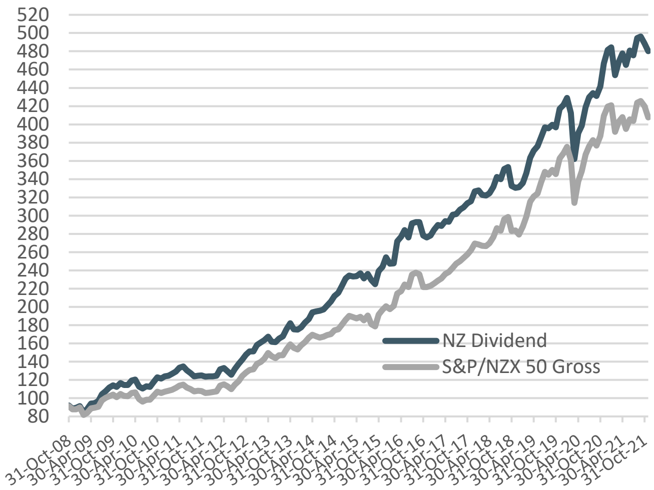
NZ shares	98.55%
Cash	1.45%

Fund Performance to 30 November 2021

Period	Fund Return*	Benchmark Return
1 month	-1.76%	-2.91%
3 months	-2.90%	-3.78%
6 months	3.22%	3.23%
1 year	2.85%	-0.39%
2-year p.a.	7.31%	6.01%
3 years p.a.	13.24%	12.96%
5 years p.a.	11.68%	13.02%
7 years p.a.	12.13%	12.95%
10 years p.a.	14.52%	14.55%
Inception p.a.	12.65%	11.35%

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

Cumulative Fund Performance to 30 November 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	Auckland International Airport
Marsden Maritime Holdings	Goodman Property Trust
Spark NZ	Fisher & Paykel Healthcare
Meridian	Property For Industry

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Monthly Equities Market Commentary

Equities began November well, until the news flow shifted to rising Covid hospitalisations in Europe and the emergence of the new Omicron variant. Key outstanding questions are the severity of symptoms, the efficacy of current vaccines and hospitalization/mortality rates. The MSCI World Index fell -2.3% (in USD) in the month to be +17.5% over the year. Sovereign bonds rallied.

United States inflation surged to 6.2%, its highest rate in 31 years. The labour market continues to improve and October retail sales were strong. Fed Chairman Jay Powell was reappointed and promptly carried out the “Powell pivot”, removing the word “transitory” and flagging a possible faster QE taper. The S&P 500 fell -0.6% to be +25.5% for the year. 10-year US Treasury yields fell from 1.55% to 1.43%.

In Europe, data was mixed depending on the severity of the latest wave of Covid cases. French business confidence improved, while the German Ifo business climate survey deteriorated. Fresh Covid restrictions, along with inflation reaching 4.1%, has taken a toll on consumer sentiment which has weakened recently. The FTSE Europe ex-UK index fell -2.5% (in EUR) over the month to be +19.5% over the year.

After a tough period, the Japanese outlook has brightened somewhat as restrictions have eased and new Prime Minister Kishida announced a new stimulus package. The Topix index returned -3.6% (in JPY) over the month and is +7.9% over the year.

The Australian economy contracted a better-than-expected -1.9% in Q3. Confidence surveys suggest better prospects in Q4. Furthermore, a sharply higher household savings rate in Q3 supports the case for higher consumer spending in the months ahead. The S&P/ASX200 declined -0.9%% (in AUD) over the month and was +9.9% over the year.

The NZ economy is slowly emerging from the long Auckland lockdown. Activity will rebound in Q4 but a full recovery won’t be achieved until early 2022. The unemployment rate fell to 3.4% in the September quarter and the RBNZ raised interest rates for the second time this cycle during November. NZ 10-year yields fell over the month from 2.61% to 2.48%. The S&P/NZX50 fell -2.9% (in NZD) over the month and is only +0.6% over the year.

Salt NZ Dividend Fund Commentary

The Fund delivered very strong relative performance during the month of November, declining by -1.76% compared to the sharp -2.91% decline turned in by the S&P/NZX50 Gross Index. This is typical of the long-term history of the Fund, where it generally tends to outperform during periods of market turbulence.

The largest contributors were sharp declines in two underweights, with Ryman Healthcare (RYM, -14.9%) coming under considerable pressure. This followed a result in which they appeared to walk away from previous guidance re development targets and the economy saw continued evidence of widespread inflationary pressures that will likely force the RBNZ to tighten on a number of future occasions in addition to the 0.25% lift to 0.75% in the month. We expect this to weigh on the housing market and thence on retirement village inventories and pricing.

The second key tailwind was the Pushpay (PPH, -28.4%), which fell sharply following a result which led to moderate earnings downgrades and some potential concerns being raised around the ultimate size of their addressable market. The final stand-out was our overweight in Tower (TWR, +7.1%) whose result was at the top-end of (earlier downgraded) expectations, which announced a material capital return, and which has had a good start to the current year in terms of the large claims experience that has hobbled it for the last two years.

Headwinds were fewer in number and magnitude. Building a slightly premature overweight in Meridian Energy (MEL, -4.8%) was the key hindrance but its has returned to attractive share price levels and may have stronger medium term upside than currently believed if the Tiwai smelter ultimately stays and pays electricity prices that are closer to market. It is hugely profitable at present as the aluminium cost curve comes under immense carbon cost pressure globally.

At month-end, we estimate the Fund has a forward gross dividend yield of circa 3.5%, which compares to our estimate of 2.9% for the benchmark.

Matthew Goodson, CFA