Salt Core NZ Shares Fund Fact Sheet – May 2024

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 31 May 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$46 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 May 2024

Application	0.8939
Redemption	0.8903

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 31 May 2024

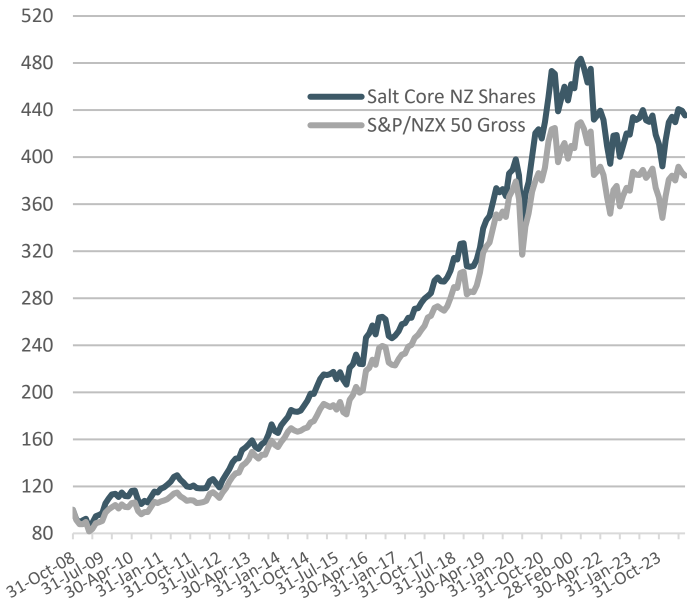
NZ shares	93.06%
Australian Shares	6.13%
Cash or cash equivalents	0.80%

Fund Performance to 31 May 2024

Period	Fund Return*	Benchmark Return
1 month	-0.95%	-0.75%
3 months	1.35%	1.07%
6 months	5.12%	4.74%
1 year	0.94%	0.46%
2 years p.a.	3.11%	2.45%
3 years p.a.	-0.97%	-1.24%
5 years p.a.	4.46%	3.24%
7 years p.a.	7.45%	6.94%
10 years p.a.	9.01%	8.65%
Inception p.a.	9.84%	8.97%

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 31 May 2024*



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
Infratil	A2 Milk
Worley	Meridian Energy
Freightways	Goodman Property Trust
CSL	Sky City
Mainfreight	Property For Industry

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Equities Market Commentary

May saw risk assets supported by optimism about a global soft landing, while anticipated rate cuts spurred bond markets. Developed market equities rose +4.5% (in USD) while the global aggregate bond index rose +1.3% (in USD).

US activity data surprised mostly to the downside. Most importantly, April payrolls came in below expectations and the unemployment rate rose. CPI data was in line with expectations following three months of higher-than-expected numbers. The Fed kept policy unchanged but highlighted insufficient progress towards the 2% inflation target. Markets saw this as a delay in rate cuts, rather than a return to rate hikes.

European PMI data showed a recovery that is being driven by the services sector but with some signs of improvement in manufacturing. Despite inflation accelerating in May, overall progress gave the ECB sufficient confidence to make a one-off rate cut after month-end.

Yen weakness continues to be a key focus in Japan. While this normally helps exports and the equity market, it is starting to impact negatively on consumer confidence. Activity data in China generally surprised to the upside but this was largely exports alongside ongoing weakness in domestic demand. The real estate sector remains a key risk to the outlook.

The RBA kept monetary policy unchanged at its May meeting and was less hawkish than expected, despite higher-than-expected March quarter inflation. Policy guidance remained unchanged in "not ruling anything in or out". Labour market conditions continue to deteriorate in NZ, with the unemployment rate rising from 4% to 4.3% in March. Despite this, the RBNZ remains concerned about sticky domestic inflation pressures and delivered a hawkish statement that saw market pricing push the first full rate cut out to Feb25. The mini-result season in May was generally a little disappointing across both Australia and NZ.

Salt Core NZ Shares Fund Commentary

The month of May saw continued weakness in New Zealand equities with the NZX50Gross falling -0.75% led lower by cyclical names. Australia reversed some of the underperformance in April with the ASX200 accumulation index rising +0.95% in May.

The Fund recorded a return of -0.95%, slightly underperforming the benchmark mainly due to the underweight in a2 Milk (+15.0%), which rose sharply as speculation mounted around the possible acquisition of Synlait Milk's (-8.3%) Dunsandel packaging facility at a highly favourable price.

Cyclically exposed names in New Zealand continued to struggle in May. Fletcher Building (-18.4%) announced (yet another) earnings downgrade because of weaker trading conditions including intense price competition in distribution resulting in lower gross margins in an effort to stabilise market share, a sharp correction in the Australian residential market as well as weaker revenues and gross margin pressure in building products such as Iplex NZ and Steel.

The Fund benefited from being underweight or not holding the bottom-performing stocks which included Tourism Holdings (-35.5%), Warehouse (-26.1%), Skellerup (-21.6%) and Kathmandu (-21.3%). Tourism Holdings is an example of the pressures that many businesses are under at the moment with its downgraded earnings guidance due to a weakening economy in most customer regions and rising costs. The Fund did not hold Visita Group (+21.0%) which was the best-performing stock after an Australian private equity firm surprisingly took a circa 20% stake at a premium to the prevailing share price.

The NZX index was helped by Meridian Energy (+12.7%) after it announced a 20-year power supply agreement with New Zealand's aluminium smelter (NZAS). The Fund's underweight in Meridian was partially offset by an overweight in Contact Energy (+6.3%) who also announced a power supply contract with the NZAS for varying amounts of power. The Fund benefited from its holding in Fisher & Paykel Healthcare (+3.6%) after they reported a strong FY24 result and guided to continued growth in FY25 which led the market to upgrade earnings expectations.

The MSCI announced Ebos (-5.7%) was to be removed from the global standard index which caused a large amount of selling on market close at the end of the month. The Fund used this as an opportunity to increase its holding in Ebos as well as taking advantage of other outsized price moves due to index reweighting which included lowering our weighting in Meridian.

During May, the Fund was a buyer on weakness of Freightways, Ebos, Genesis Energy, Telstra, and Mercury Energy while it was a seller of Fisher & Paykel Healthcare, Worley and Woolworths. The Fund also participated in a discounted sell-down by a large shareholder in Ryman (-10.6%).

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