

SALT

Salt Core NZ Shares Fund Fact Sheet – December 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 December 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$82 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 December 2024

Application	0.9847
Redemption	0.9806

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%
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Fund Allocation at 31 December 2024

NZ shares	92.74%
Australian Shares	2.62%
Cash or cash equivalents	4.65%

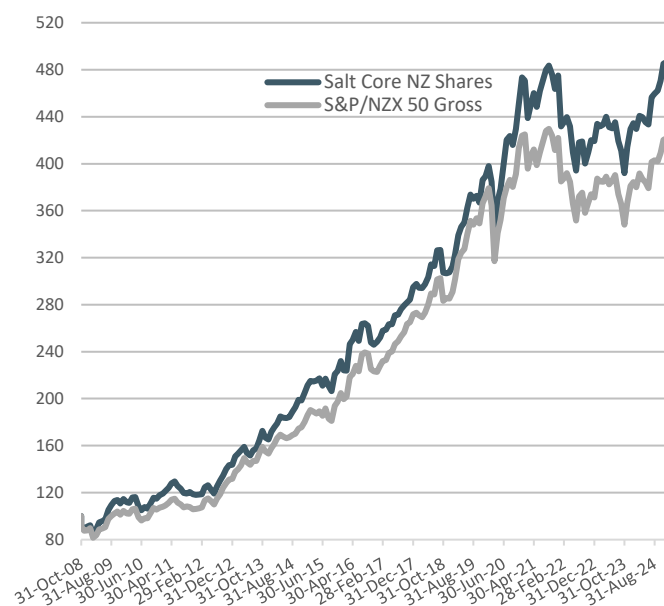
Fund Performance to 31 December 2024

Period	Fund Return*	Benchmark Return
1 month	0.31%	0.34%
3 months	5.24%	5.53%
6 months	12.28%	11.90%
1 year	13.25%	11.39%
2 years p.a.	7.74%	6.91%
3 years p.a.	0.79%	0.20%
5 years p.a.	4.57%	2.67%
7 years p.a.	7.41%	6.57%
10 years p.a.	9.02%	8.94%
Inception p.a.	10.23%	9.30%

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 December 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	Chorus Networks
Freightways	Auckland International Airport
Contact Energy	Kiwi Property Group
Port of Tauranga	Goodman Property Trust
CSL	Meridian Energy

SALT FUNDS MANAGEMENT

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Equities Market Commentary

US events dominated the December quarter, with Donald Trump's victory, a hawkish pivot from the Fed and ongoing USD strength. Trump's victory signals greater inflation risks from looser fiscal policy, higher tariffs and tighter immigration settings. Additionally, signs of stubborn inflationary pressure saw the Fed signal less scope for future rate cuts. These negative macro developments were offset by continued AI exuberance, which saw developed market equities flat at -0.1% over the quarter, while the global aggregate bond index declined by a massive -5.1% (in USD).

The ECB delivered a 25bp rate cut in December, taking the deposit rate to 3.0%. They also removed a reference to the need for restrictive policy, which opens the door to further rate cuts. Political ructions in France and Germany also impacted markets. The Bank of Japan left interest rates unchanged in December though expectations of another rate hike continue to build. Chinese authorities signalled further stimulus is in the pipeline, though details remain scant. Stimulus delivered to date appears to be driving a few glimmers of recovery, but more action is required, preferably aimed at boosting demand (consumption) rather than supply.

The RBA delivered a slightly dovish statement in December but hopes for a February rate cut were dashed as the unemployment rate surprised to the downside at just 3.9%. NZ labour market data for the September quarter was weak and the unemployment rate rose from 4.6% to 4.8%, with only a decline in participation preventing a sharper rise. Similarly, September quarter GDP data showed a sharp fall in activity through mid-2024. This seems to cement a further 50bp cut in the OCR in February.

Salt Core NZ Shares Fund Commentary

The New Zealand equity market had a strong finish to the year with a December quarter return for the NZX50Gross Index of +5.5%. Interestingly, large cap stocks led the index higher with the NZX10 index outperforming the broader index with a 7.4% rise. On the flip side, the NZ real estate index was down -2.1% as it gave back some of its strong performance in the September quarter. Australian stocks had a tougher time in the quarter with the ASX200 Accumulation Index down 0.8% as the slowing Chinese economy weighed down the mining sector in particular. The Fund slightly underperformed with a return of 5.2% (before fees and tax).

The Fund benefited from strong earnings results from some of its core overweight holdings with Fisher & Paykel Healthcare (+11.3%) reported revenue of +17% and operating profit of +46%, being the standout. We also saw good profit reports from some domestic economy focused companies that have strong business franchise positions such as Turners (+25.9%), which reported a resilient 1H result with NPAT +4% and Freightways (+16.9%) who provided a positive 1st quarter trading update which saw revenue grow by +10.6%. Infrastructure software firm Gentrack (+17.3%) reported a surprisingly strong result with revenue growth of +25.5% for the year. The Fund has been underweight Gentrack but took the opportunity at a discount, to close some of the underweight as there is potential for more customer contract wins in the future. The Fund managed to avoid owning some of the worst performing companies this quarter which were Warehouse (-11.1%) and Kathmandu (-8.2%), with both retailers suffering as the New Zealand consumer continues to be impacted by higher interest rates and increasing unemployment. A slowing Chinese economy and falling birth rates also weighed on fund underweight a2 Milk (-8.0%) which underperformed during the quarter.

Speculation around a potential change in constituents from a global index provider, which could see Mercury Energy (-9.3%) replaced by Contact Energy (+16.3%) in the upcoming February index review, saw outsized moves in the two gentailers. Because these index weights are dependent on share price/market capitalisation levels, there have been market participants willing to give the share prices a helping hand in moving in the right direction.

The sell-down by the Auckland council of their 9.71% holding in AIA (+16.5%) was completed in December and removed an overhang in the name, subsequently the shares rallied post the sell down.

During the quarter, the Fund's investment activities included participating in the Auckland Council sell down of Auckland Airport and the sale of Scales Corporation shares by its large shareholder, China resources Enterprise Ltd, as they exited their 14.8% stake. The Fund also purchased ANZ Bank and Port of Tauranga, and sold A2 Milk into some early strength.





Paul Harrison, MBA, CA

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