

SALT

Salt Core NZ Shares Fund Fact Sheet – October 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 October 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$56 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 October 2024

Application	0.9668
Redemption	0.9628

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 October 2024

NZ shares	94.37%
Australian Shares	3.97%
Cash or cash equivalents	1.66%

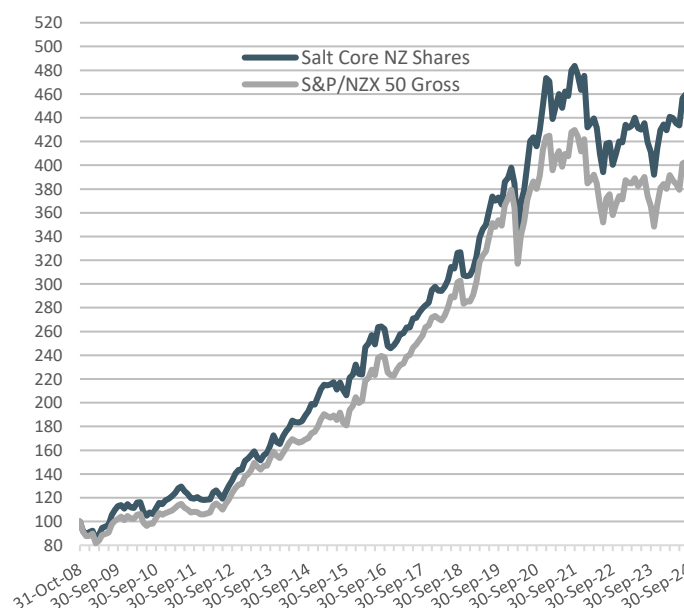
Fund Performance to 31 October 2024

Period	Fund Return*	Benchmark Return
1 month	1.83%	1.73%
3 months	3.15%	1.88%
6 months	7.11%	5.70%
1 year	20.11%	17.49%
2 years p.a.	7.21%	5.58%
3 years p.a.	-0.35%	-1.18%
5 years p.a.	5.12%	3.22%
7 years p.a.	7.60%	6.48%
10 years p.a.	9.00%	8.90%
Inception p.a.	10.11%	9.15%

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 October 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
Freightways	Chorus Networks
Contact Energy	Kiwi Property Group
Infratil	Meridian Energy
Tower	Goodman Property Trust
Port of Tauranga	Arvida

SALT FUNDS MANAGEMENT

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Equities Market Commentary

October was rather volatile, with developed market equities falling -2.0%. The global aggregate bond index fell by an even sharper -3.4%. US September inflation data was hotter than expected, with core CPI sticky at 3.3% y/y. Stronger activity and labour market data also saw markets pare back the likely pace of US interest rate cuts to 25bp moves in November and December. US election uncertainty also fed higher bond yields, via concerns re fiscal sustainability and the prospect of tariffs under a possible Trump victory.

Weakening European economic momentum saw the ECB deliver a third 25bp cut in the deposit rate, taking it to 3.25%. UK headline inflation fell to 1.7% y/y, but core remained higher at 3.2%. The labour market remains tight with the unemployment rate falling to 4.0%, while the UK Budget announcement put upward pressure on Gilts. The Bank of Japan left interest rates unchanged, but the tone of their statement was hawkish. China announced further support for the ailing property market. Collective stimulus measures to-date should result in improved activity levels, but we still think more is required, particularly more meaningful action to boost consumption.

Australian job growth beat expectations for the sixth consecutive month in September. For now, that is being met by increased labour supply, but the risk is that labour supply growth cools before demand does, reigniting wage inflation. No rate cuts are expected until next year.

NZ CPI inflation came in at 2.2% y/y in September. The tradables sector fell -1.6% y/y but non-tradeable inflation remains too high at +4.9% y/y. The RBNZ will be watching the latter closely as they now muse on the challenge of sustaining inflation within the 1-3% target band. A further 50bp rate cut is widely expected at the November meeting.

Salt Core NZ Shares Fund Commentary

New Zealand and Australian share markets experienced mixed performances over October. The NZX50 Gross Index reported a return of +1.73% whilst Australian equities fell -1.3% over the month. Sentiment towards New Zealand equities benefited from the Reserve Bank of NZ delivering on the widely expected 0.5% cut in the Overnight Cash Rate (OCR) and the increased likelihood of a further OCR cut of 0.5% in November. The Fund outperformed with a return (pretax and before fees) for October of +1.83%.

A number of companies held their Annual Shareholders Meetings during October and provided trading updates for the current financial year. Freightways (+15.3%) ASM update was the most positively received with investors becoming more confident that they have passed through the worst of the economic cycle impact. Fletcher Building (+1.7%), Auckland Airport (+1.9%), Port of Tauranga (0%) and Chorus (+0.5%) AGM updates yielded little new information. The worst update came from Spark (-4.0%), which revealed a disappointing level of earnings weakness and a cut to the dividend. Prior to this announcement, the Manager had significantly reduced the exposure to Spark and held a neutral exposure versus benchmark.

Most of the Fund's core holdings performed well with Fisher & Paykel Healthcare (+3.6%), Infratil (+2.9%), and Contact Energy (+5.1%) all outperforming the overall market.

The Fund also benefited from overweight exposure to the Gentailer sector as Contact Energy (+5.1%), Mercury (+2.5%) and Genesis (+1.2%) had good returns for the month. The Fund is underweight Meridian (+0.2%), on valuation grounds. Other companies with poor October performances where the Fund holds a less than benchmark exposure were a2Milk (-7.3%), Gentrack (-6.9%), and Kathmandu (-16.0%).

During the month, the Fund participated in the sell down by China Resources of its stake in Scales Corporation, reduced the underweight to Gentrack and purchased some more Port of Tauranga.



Paul Harrison, MBA, CA