

# SALT

## Salt Core NZ Shares Fund Fact Sheet – April 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 30 April 2024

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

### Unit Price at 30 April 2024

Application	0.9148
Redemption	0.911

### 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 30 April 2024

NZ shares	92.20%
Australian Shares	7.21%
Cash or cash equivalents	0.59%

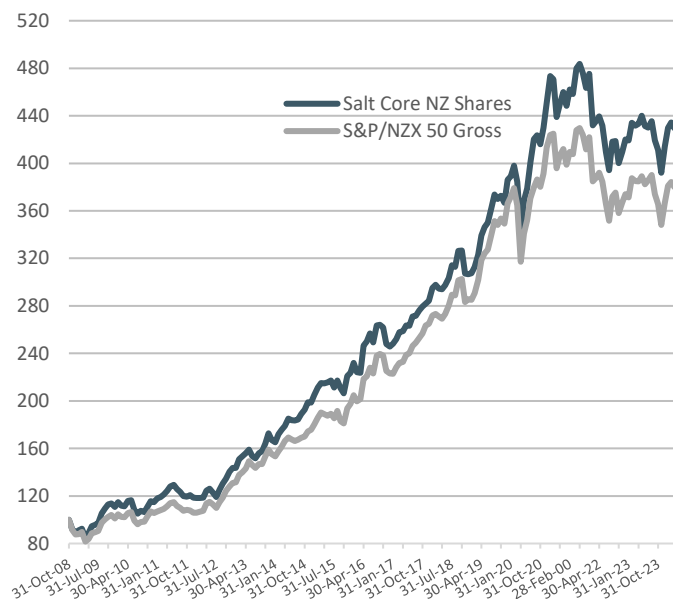
### Fund Performance to 30 April 2024

Period	Fund Return*	Benchmark Return
1 month	-0.30%	-1.22%
3 months	1.20%	0.72%
6 months	12.13%	11.15%
1 year	-0.07%	-0.52%
2 years p.a.	0.91%	0.31%
3 years p.a.	-1.50%	-2.07%
5 years p.a.	4.89%	3.61%
7 years p.a.	7.59%	7.14%
10 years p.a.	9.04%	8.62%
Inception p.a.	9.97%	9.07%

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 30 April 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
Mainfreight	Goodman Property Trust
CSL	Meridian Energy
Freightways	Sky City
Fisher & Paykel Healthcare	Property For Industry

SALT FUNDS MANAGEMENT

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## Equities Market Commentary

April marked a sharp reversal from a generally positive first quarter. Higher than-expected US inflation outcomes fuelled fears that the Fed will not ease monetary policy as quickly as previously hoped. Fed Chair Powell observed that recent data had shown a lack of further progress on inflation and it was therefore appropriate to give restrictive monetary policy more time to work. Equity and bond markets reacted negatively to these developments, with developed market equities down -3.7% (in USD) and the global aggregate bond index down -2.5% (in USD).

European inflation was unchanged at 2.4% in April, but the policy-critical services component fell from 4.0% to 3.7%. This, combined with weak growth, has given markets confidence that a rate cut in June is still likely, though there are now fewer cuts priced in over 2024 than previously.

China's official manufacturing and non-manufacturing PMI indices weakened in April from March but were still in expansion territory (over 50). That suggests that growth is stabilising in a manner with the modest stimulus deployed to date. Property sector issues remain the key swing factor.

March quarter inflation came in hotter than expected in Australia, which quashed any rate cut expectations for 2024 and even saw speculation that the RBA may be forced to hike again. NZ March quarter inflation was in-line overall but non-tradeable inflation came in hot at 5.8%. However, economic activity is very weak, allowing the RBNZ a degree of confidence that monetary policy is working albeit not as quickly as perhaps hoped.

## Salt Core NZ Shares Fund Commentary

A rise in bond yields saw the strong markets of March replaced with much weaker financial markets in April. Both New Zealand and Australian equity markets retreated with the NZX50Gross slipping -1.22% and the ASX200 Accumulation Index falling -2.94%. The Fund recorded a solid outperformance as it returned -0.30% over the month.

Investor nervousness over the direction of the economy resulted in cyclical stocks struggling. Amongst the Fund's holdings, this was seen in Mainfreight (-2.4%), Turners Auctions (-4.8%), Freightways (-5.1%) and in the Australian holding of Macquarie Bank (-6.1%). Exposure to cyclical headwinds even extended to typically defensive names Woolworths (-3.8%) and Telstra (-4.9%).

The Manager's discipline of buying stocks with valuation support meant these stocks fared much better than others with Tower (+18.0%) in particular demonstrating the benefits of this investment approach. At the other end of the spectrum, the Fund does not own or holds underweight positions in some of the stocks that recorded the heaviest falls such as Sky City (-14.4%), Heartland Bank (-15.2%), Air New Zealand (-9.1%), Gentrack (-8.0%), and THL (-8.8%).

The Fund's focus on healthcare was rewarded as Fisher & Paykel (+11.0%), Pacific Edge (+9.4%), and Ebos (+2.4%) all performed strongly. An underweight position in the retirement sector was also beneficial as stocks such as Ryman (-10.6%), Arvida (-2.7%), and Oceania (-4.8%) struggled for support, with a modest offset to performance from the Fund's overweight in Summerset (-2.6%).

The underweight in the Gentailers was a mixed bag with the Fund continuing its underweight in both Meridian (+1.5%) and Mercury (-7.9%). The overweight in Contact Energy performed well but Genesis (-5.5%) did not.

During April, the Fund was a buyer on weakness of Auckland Airport, Ebos, GMT, Mercury and Spark, while it was a seller of Fisher and Paykel Healthcare, KPG, Orora, Serko, Orica, Summerset and Westpac. The Fund participated in capital raisings for Heartland Bank and Orica as well taking advantage of the discounted sell down by a large shareholder in Worley.



Paul Harrison, MBA, CA