Salt NZ Dividend Appreciation Fund Fact Sheet – November 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 NZ Dividend Appreciation Fund targets a portfolio of shares of New Zealand companies that July, 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 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$100 million
Inception Date	31 July 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 November 2024

Application	1.787
Redemption	1.7798

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 2024

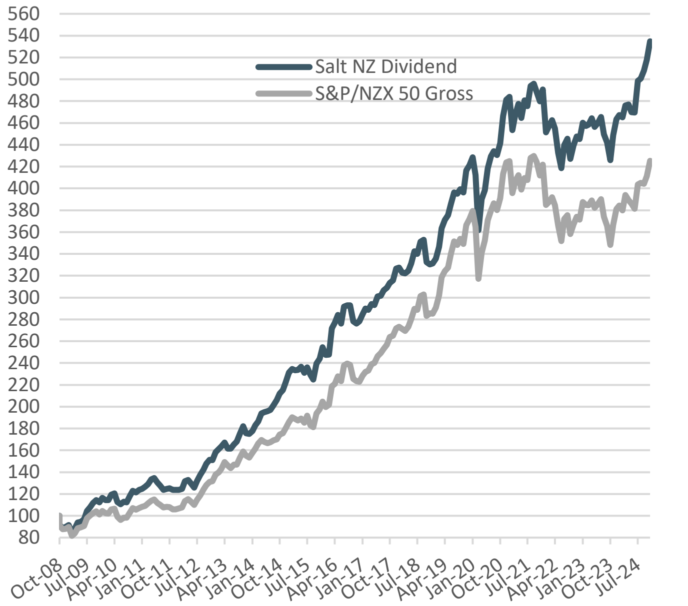
NZ shares	98.51%
Cash	1.49%

Fund Performance to 30 November 2024

Period	Fund Return*	Benchmark Return
1 month	3.28%	3.39%
3 months	6.80%	4.97%
6 months	13.84%	10.11%
1 year	19.19%	15.33%
2-year p.a.	9.31%	6.35%
3 years p.a.	3.69%	0.90%
5 years p.a.	5.12%	2.91%
7 years p.a.	7.82%	6.91%
10 years p.a.	9.53%	9.19%
Inception p.a.	10.93%	9.33%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 December 2008 to 31 December 2015, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 30 November 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
Tower	Chorus Networks
Turners Automotive	Auckland International Airport
Heartland Group Holdings	Goodman Property Trust
Marsden Maritime Holdings	Meridian Energy
Genesis Energy	Kiwi Property Group

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
Email: info@saltfunds.co.nz | www.saltfunds.co.nz

Equities Market Commentary

Markets were dominated in November by the Republican clean sweep of US elections. This had markets contemplating a more expansionary US fiscal policy and a more nationalist trade policy. US equities gained +6.3%, contributing to a 4.6% rise in developed market equities. Bond markets were less enamoured with the potential inflationary implications, with the global aggregate bond index returning +0.3%.

Solid economic data also contributed to positive equity markets, feeding the theme of US exceptionalism. The Fed cut by 25bp, citing further progress on disinflation. In Europe, the ECB is contending with weak economic fundamentals, while inflation is proving resilient. Political uncertainty in Germany and France also impacted markets.

In Japan, expectations of another interest rate hike are building, with a further 25bp increase possible before Christmas although a January hike is more likely. In China, highly anticipated fiscal stimulus disappointed the market. While a debt swap arrangement for local governments was welcome, a lack of meaningful stimulus aimed at boosting consumption was well short of expectations.

The RBA maintained its hawkish bias in November, stating it needs to remain vigilant to upside risks to inflation. The tight labour market saw the unemployment rate remain at 4.1%. In NZ, weak labour market data saw the unemployment rate rise to 4.8%, with a decline in the participation rate preventing a sharper rise. Activity data remained weak, though increasing signs of a bottoming out of recent declines are starting to emerge. The RBNZ cut the OCR by 50bp to 4.25%.

Salt NZ Dividend Fund Commentary

The Fund slightly underperformed in the month of November, returning +3.28% compared to the strong +3.39% advance by the S&P/NZX50 Gross Index. In a month which saw momentum and technology stocks outperform globally, we were satisfied to be close to index. The month was highlighted by one major positive and one frustrating negative.

The large overweight in Turners (TRA, +19.0%) did very well. TRA is an old friend that we have owned at Salt since its former incarnation of Turners Auctions. TRA defied the gloom in the NZ economy and a downturn in used car sales by posting a slightly better than expected result, with strength in their finance and insurance divisions offsetting a crimping in car sales margins. Importantly, car sales and margins picked up solidly in October and the outlook for the finance division is strong as rate cuts lower their funding costs. We detest the overuse of the term “eco-system”, but TRA has genuinely developed this in the NZ used car market. They continue to roll out new sites at strong returns, the cycle is now in their favour and their latest move into mobile repairs could grow into something quite meaningful over the next few years as they capture a small share of what is a huge auto-repair market. Their own fleet gives it a critical mass to start with. They are still only on a forward PE of 13x and a net dividend yield of 5%.

The stand-out detractor for the month was not owning Gentrack (GTK, +40.5%). Their result was only a slight beat, but they talked very positively about the potential for future contract wins, with this exciting momentum focused technology investors. GTK has been a highly volatile name over the last few years but for now they are right in the sweet spot of a market that is richly rewarding software companies with a growth outlook, irrespective of valuation multiples.

Compared to TRA and GTK, other contributions were minor. On the plus side, an overweight we have built up in the deeply oversold Genesis Energy (GNE, +5.9%) finally bounced a little. On the negative side, an overweight in Heartland (HGH, -3.9%) and an underweight in Auckland Airport (AIA, +6.3%) weighed.

At month-end, we project the Fund to yield 4.3% versus 3.8% for the Index.

Matthew Goodson, CFA