

# SALT

## Salt NZ Dividend Appreciation 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 NZ Dividend Appreciation Fund targets a portfolio of shares of New Zealand companies that may, 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 April 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$115 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

### Unit Price at 30 April 2024

Application	1.6512
Redemption	1.6445

### 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%
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### Fund Allocation at 30 April 2024

NZ shares	99.27%
Cash	0.73%

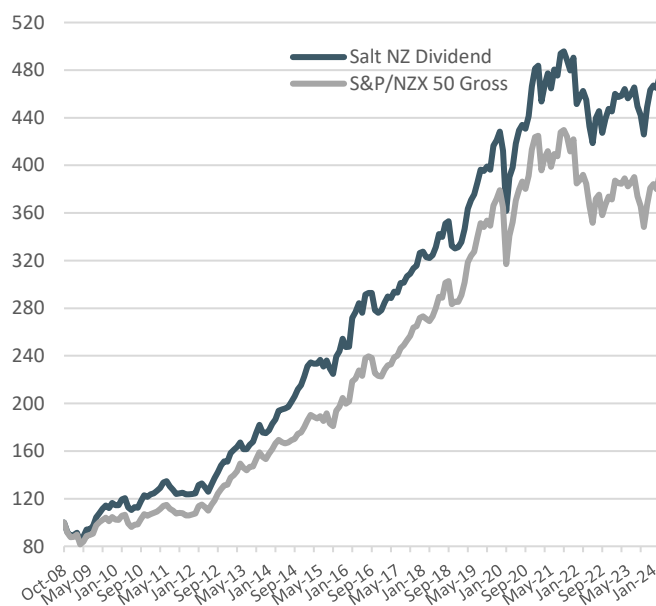
### Fund Performance to 30 April 2024

Period	Fund Return*	Benchmark Return
1 month	0.19%	-1.22%
3 months	2.07%	0.72%
6 months	12.00%	11.15%
1 year	2.72%	-0.53%
2-year p.a.	2.38%	0.30%
3 years p.a.	-0.04%	-2.07%
5 years p.a.	5.15%	3.61%
7 years p.a.	7.16%	7.14%
10 years p.a.	9.42%	8.62%
Inception p.a.	10.54%	9.07%

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 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
Tower	A2 Milk
Turners Automotive	Auckland International Airport
Marsden Maritime Holdings	Goodman Property Trust
Freightways	Sky City
Infratil	Meridian Energy

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 NZ Dividend Fund Commentary

The Fund strongly outperformed in the month of April, advancing by +0.19% compared with the -1.22% decline by the S&P/NZX50 Gross Index.

In a repeat of last quarter, the stand-out positive was our long-standing holding in Tower (TWR, +18.0%). They delivered a strong guidance upgrade for NPAT to be above \$35m compared to the former range of \$22m-\$27m. Moreover, this assumes the full utilisation of their large event allowance of \$45m, with there being no events so far and only five months to go in the seasonally less eventful September half. TWR could potentially deliver NPAT of \$67m if there are no large events. This would put them on the remarkably low PE of 3.7x.

Other positives came from having no holding in the poorly performing Sky City (SKC, -14.4%) nor Air New Zealand (AIR, -9.1%), which delivered another profit warning and appears to have a difficult outlook for some time. The large equity raising by Heartland Bank (HGH, -15.2%) saw us turn our underweight into an overweight at favourable price levels.

Headwinds were very limited in terms of their number and magnitude. Overweights in Freightways (FRW, -5.1%), Genesis Energy (GNE, -5.5%) and Turners (TRA, -4.8%) and an underweight in Fisher & Paykel Healthcare (FPH, +11.0%) were all modest headwinds.

At quarter-end, we project the Fund to yield 4.5% versus 3.8% for the Index.



Matthew Goodson, CFA