Salt NZ Dividend Appreciation Fund Fact Sheet – May 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 31 May 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 31 May 2024

Application	1.6043
Redemption	1.5978

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 31 May 2024

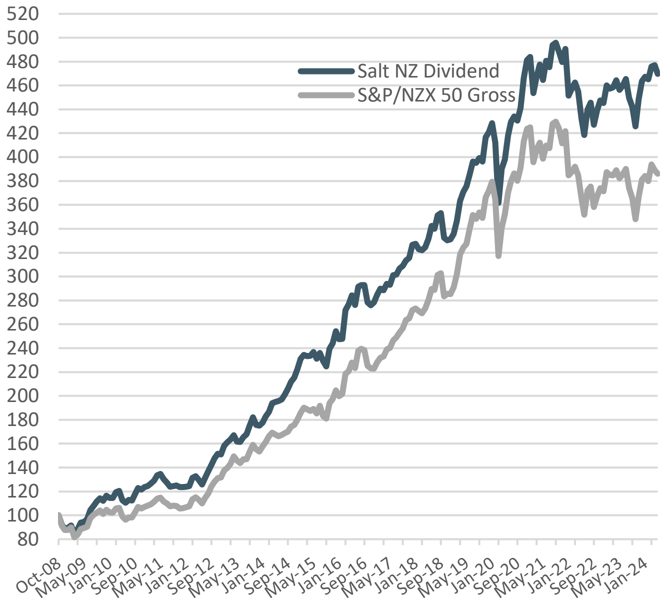
NZ shares	98.95%
Cash	1.05%

Fund Performance to 31 May 2024

Period	Fund Return*	Benchmark Return
1 month	-1.50%	-0.75%
3 months	1.02%	1.07%
6 months	4.70%	4.74%
1 year	2.95%	0.45%
2-year p.a.	4.20%	2.44%
3 years p.a.	0.36%	-1.25%
5 years p.a.	4.58%	3.24%
7 years p.a.	6.97%	6.94%
10 years p.a.	9.19%	8.65%
Inception p.a.	10.38%	8.97%

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 31 May 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	Meridian Energy
Heartland Group Holdings	Fisher & Paykel Healthcare
Marsden Maritime Holdings	Auckland International Airport
Freightways	Goodman Property Trust

Equities Market Commentary

May saw risk assets supported by optimism about a global soft landing, while anticipated rate cuts spurred bond markets. Developed market equities rose +4.5% (in USD) while the global aggregate bond index rose +1.3% (in USD).

US activity data surprised mostly to the downside. Most importantly, April payrolls came in below expectations and the unemployment rate rose. CPI data was in line with expectations following three months of higher-than-expected numbers. The Fed kept policy unchanged but highlighted insufficient progress towards the 2% inflation target. Markets saw this as a delay in rate cuts, rather than a return to rate hikes.

European PMI data showed a recovery that is being driven by the services sector but with some signs of improvement in manufacturing. Despite inflation accelerating in May, overall progress gave the ECB sufficient confidence to make a one-off rate cut after month-end. Yen weakness continues to be a key focus in Japan. While this normally helps exports and the equity market, it is starting to impact negatively on consumer confidence. Activity data in China generally surprised to the upside but this was largely exports alongside ongoing weakness in domestic demand. The real estate sector remains a key risk to the outlook.

The RBA kept monetary policy unchanged at its May meeting and was less hawkish than expected, despite higher-than-expected March quarter inflation. Policy guidance remained unchanged in “not ruling anything in or out”. Labour market conditions continue to deteriorate in NZ, with the unemployment rate rising from 4% to 4.3% in March. Despite this, the RBNZ remains concerned about sticky domestic inflation pressures and delivered a hawkish statement that saw market pricing push the first full rate cut out to Feb25. The mini-result season in May was generally a little disappointing across both Australia and NZ.

Salt NZ Dividend Fund Commentary

After strong outperformance in April, the Fund gave some returns back in the month of May, declining by -1.50% compared with the -0.75% move by the S&P/NZX50 Gross Index.

The largest headwind was the underweight in the non-yielding a2 Milk (ATM, +15.0%) which continued to run hard on no obvious new information. Our view is that some investors have extrapolated too much optimism into the future from better Chinese birth numbers during the propitious Year of the Dragon. We suspect this will be followed by a baby-bust and the realities of China’s demographic challenges will be remembered.

Other negatives came from a moderate holding in Marsden Maritime (MMH, -13.6%) which fell on no news that we could see. We suspect it was a bit of catch-up with other port stocks and also possibly some transition-type selling. The underweight in Meridian Energy (MEL, +12.7%) hurt largely thanks to an absurd +10.5% bounce on 31 May. This largely reflected forced passive buying on MSCI Index reweighting combined with the positive news of the Bluff aluminium smelter contract being extended for many years. This was however already widely expected. Our large overweight in Turners (TRA, -6.4%) also hurt after it fell for reasons that we could not discern after posting a pleasing result against the tough economic backdrop.

Positive contributors were of smaller size and largely came from names that we do not own or are underweight. These included Tourism Holdings (THL, -35.5%), Skellerup Holdings (SKL, -21.6%), Arvida (ARV -11.1%) and Kathmandu (KMD, -21.3%). Mini-result season drove a reasonable amount of volatility in the month.

At month-end, we project the Fund to yield 4.6% versus 3.9% for the Index.

Matthew Goodson, CFA