

SALT

Salt NZ Dividend Appreciation Fund Fact Sheet – April 2022

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 2022

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$116 million
Inception Date	30 September 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 April 2022

Application	1.6912
Redemption	1.6843

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 2022

NZ shares	98.05%
Cash	1.95%

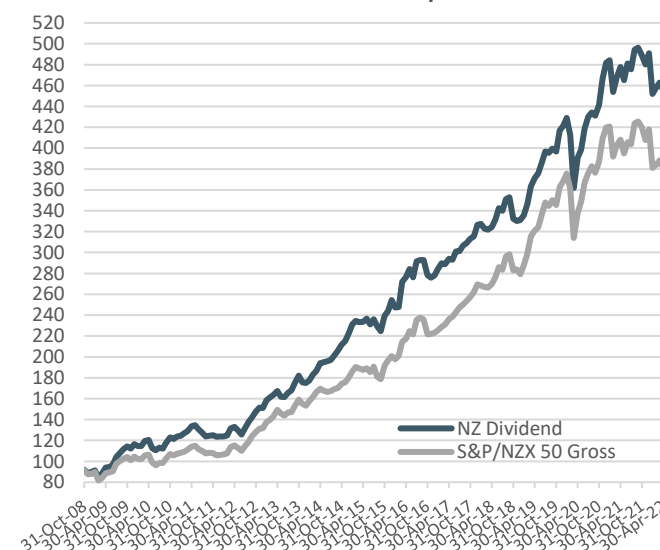
Fund Performance to 30 April 2022

Period	Fund Return*	Benchmark Return
1 month	-1.60%	-1.87%
3 months	0.77%	-0.05%
6 months	-6.81%	-9.28%
1 year	-4.70%	-6.65%
2-year p.a.	7.98%	6.22%
3 years p.a.	7.04%	5.87%
5 years p.a.	9.13%	10.00%
7 years p.a.	10.00%	10.81%
10 years p.a.	13.10%	12.82%
Inception p.a.	11.80%	10.43%

Performance is after all fees and does not include imputation credits or PIE tax.

*From 1 November 2008 to 30 September 2015, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 30 April 2022*



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	Goodman Property Trust
Turners Automotive	Auckland International Airport
Marsden Maritime Holdings	Ryman Healthcare
Fletcher Building	Contact Energy
Freightways	Air New Zealand

SALT FUNDS MANAGEMENT

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Equities Market Commentary

The difficult first quarter of 2022 saw no respite in April. Global equities returned -8.0% in April and fixed income was not far behind as US 10-year Treasury yields approached 3%. The war in Ukraine, Covid lockdowns in China and the prospect of significantly tighter monetary policy globally all weighed on markets. Global economic tailwinds such as tight labour markets and high levels of pent-up savings remain but risks are building as monetary policy tightens and the economic cycle bottoms out.

The war in Ukraine intensified over the month with no resolution in sight. The most notable economic impact is on energy markets as Europe faces the challenge of reducing its dependency on Russia. Chinese authorities are struggling to contain a major Covid outbreak, with Shanghai spending the whole of April in lockdown. Easier monetary and fiscal policy will provide some support but the official 2022 GDP target of 5.5% is imperilled.

Post month-end, the Fed hiked by a much-anticipated 50bp and markets are pricing several further such moves. QT will begin at \$47.55bn and ramp up to \$95bn by September. Australia saw a larger than expected increase in the March quarter CPI and the RBA has initiated their tightening process, beginning with a 0.25% move to 0.35%.

The RBNZ hiked the OCR by 50bp to 1.5% in April. We expect them to follow up with another 50bp hike in May. This will likely be followed by a number of 25bp hikes for a terminal rate of 3.0%. NZ data continues to point to soft March quarter growth but expect stronger growth through the middle part of the year as borders reopen to tourists. It won't be until the final quarter of the year that we will get a true reading on underlying activity.

Salt NZ Dividend Fund Commentary

The Fund outperformed the weak NZ market in the month of April, declining by -1.60% compared to the -1.87% delivered by the S&P/NZX50 Gross Index. There were very few stand-out contributors or detractors, with a further rise-year bond yields from 3.27% to 3.64% creating headwinds across the market.

Unsurprisingly in a negative month, the largest contributions came from underweights and zero-weights. Eroad (ERD, -28.3%) fell hard following management turnover; Goodman Property (GMT, -4.2%) is not held given its very low yield; and a2 Milk (ATM, -12.8%) was sold off hard on fears of the impact of Chinese lockdowns.

There were few notable headwinds, with underweights in Air NZ (AIR, +12.0%) and Pushpay (PPH, +15.8%) being the main ones. PPH reported that it has been the subject of unsolicited expressions of interest.

At month-end, we estimate the Fund has a forward gross dividend yield of circa 3.8%, which compares to our estimate of 3.2% for the benchmark.



Matthew Goodson, CFA