

# SALT

## Salt Core NZ Shares Fund Fact Sheet – November 2023

### 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 November 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$43 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

### Unit Price at 30 November 2023

Application	0.862
Redemption	0.8584

### 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 November 2023

NZ shares	93.90%
Australian Shares	3.29%
Cash or cash equivalents	2.81%

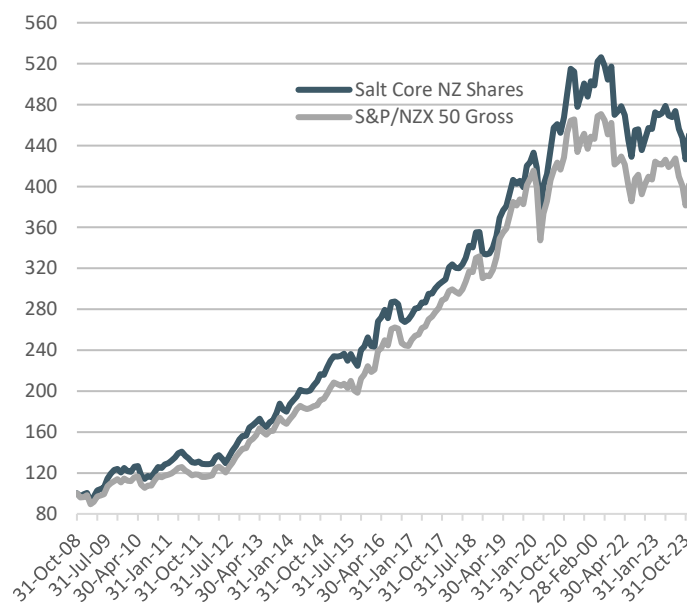
### Fund Performance to 30 November 2023

Period	Fund Return*	Benchmark Return
1 month	5.66%	5.32%
3 months	-1.19%	-1.93%
6 months	-3.97%	-4.09%
1 year	-1.39%	-1.91%
2 years p.a.	-5.47%	-5.61%
3 years p.a.	-2.78%	-3.90%
5 years p.a.	6.20%	5.13%
7 years p.a.	7.74%	7.35%
10 years p.a.	9.51%	8.98%
Inception p.a.	9.82%	8.95%

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 November 2023\*



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
Freightways	Auckland International Airport
Fisher & Paykel Healthcare	Sky City
Mainfreight	Meridian Energy
Infratil	Goodman Property Trust
Contact Energy	A2 Milk

SALT FUNDS MANAGEMENT

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## Equities Market Commentary

After a tough October, November saw a sharp U-turn with equity and bond markets making gains over the month. The MSCI World Index advanced +9.4% and 10-year bond yields had their biggest monthly decline since 2008 in many markets. This lifted the global aggregate bond index +5.0%.

Resilient albeit cooling data supported hopes of a soft landing in the US. Payrolls expanded at a slower rate in October while retail sales fell over the same month and October CPI inflation came in softer than expected. This lowered investor expectations of a final rate hike at the Fed's December meeting. While the minutes of the November FOMC meeting make it clear not to expect early cuts, markets moved to price in significant easing in 2024.

European data remained weak, particularly for industrial production and manufacturing activity. However, the labour market continues to buck the weakening trend with a modest rise in employment over the September quarter. Lower energy price was the major contributor to the decline in the annual rate of headline CPI inflation to 2.4%. The core measure remains at a more worrisome 3.6%, prompting the ECB to remain vigilant to upside inflation risks.

China activity data continued to improve with retail sales up 7.6% y/y in October, however the weak housing market remains a concern. The People's Bank of China injected further liquidity into the banking system and we expect further fiscal stimulus will be provided to support consumer demand.

As we expected, the RBA resumed rate hikes in November following a run of stronger than expected activity, labour market and inflation data. The 25bp hike took the cash rate to 4.35%. We expect one further hike to 4.6%, most likely at the February meeting.

In NZ, labour market pressures eased, with a rise in the unemployment rate from 3.6% to 3.9% over the September quarter and wage growth moderated.

The RBNZ kept the OCR on hold at 5.5% at the November Monetary Policy Statement but it was at the hawkish end of expectations, with the RBNZ maintaining its tightening bias and reinforcing the length of time for which interest rates will need to remain restrictive. The election outcome in favour of a National-led Government has had little discernible market impact to this point.

## Salt Core NZ Shares Fund Commentary

After a negative return for the September quarter, and a negative October month return, New Zealand equities finally caught a break in November as global financial market positivity flowed into the Australasian equity markets. The NZ50Gross index rallied 5.32% over November with particularly strong contribution from the larger cap stocks as seen by the performance of the NZ10Gross index which rose +6.6% over the month. The Fund outperformed its benchmark with a 5.66% return for November.

Some of the key performers for the Fund were found in its healthcare and transport stocks. Fisher & Paykel Healthcare (+13.2%) rebounded after providing a better-than-expected profit update. CSL (+12.9%) bounced nicely over November as investors repriced longer term growth stocks based on the lower bond yields. Mainfreight (+17.9%) staged a relief rally after presenting a better than feared first half profit result. The change in sentiment helped lift Freightways (+10.1%) as well.

The Fund is underweight the retirement sector which had a poor month as Ryman (-4.9%) continues to struggle on balance sheet concerns and dragging Summerset (-4.4%) and ARV (-12.4%) with it. The Fund is also underweight the gentailer and airport sectors. The rally in bonds saw the crowd favourites Meridian Energy (+8.0%), Mercury (+5.6%) and Auckland Airport (+7.9%) rally strongly. The listed real estate sector rallied on the back of the bond movements but there were distinct winners KPG (+7.7%) and GMT (+7.6%) vs losers Stride (-4.4%) and Investore (-9.4%).

Having benefited from the prior outperformance of ANZ, the Fund had switched its bank exposure from ANZ (+1.1%) to Westpac (+8.0%) at the beginning of November. The Fund also sold a2Milk, Air New Zealand and Spark. Purchases during the month included Mainfreight, Vital Healthcare Property Trust, Contact Energy and Ebos.



Paul Harrison, MBA, CA