Salt NZ Dividend Appreciation Fund Fact Sheet – June 2025

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 June 2025

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$104.2million
Inception Date	31 July 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 June 2025

Application	1.762
Redemption	1.7548

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:

New Zealand Equities	100%

Fund Allocation at 30 June 2025

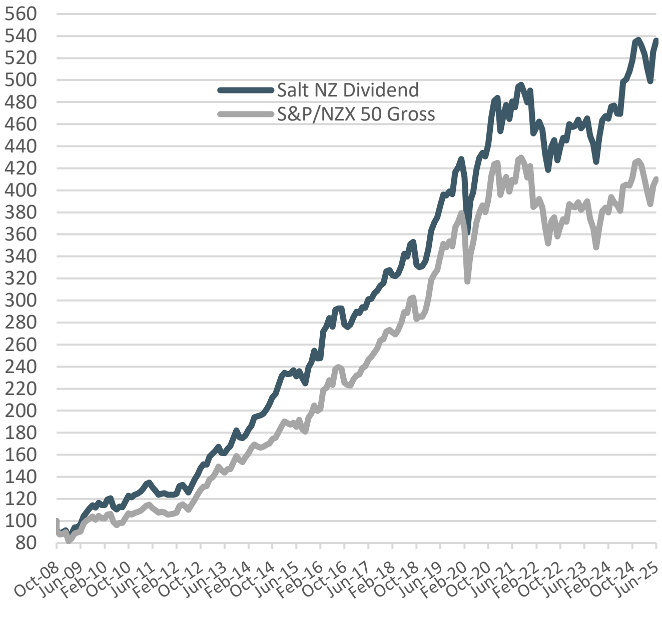
NZ shares	98.82%
Cash	1.18%

Fund Performance to 30 June 2025

Period	Fund Return*	Benchmark Return
1 month	1.93%	1.48%
3 months	4.85%	2.71%
6 months	-0.12%	-3.87%
1 year	14.16%	7.56%
2-year p.a.	7.95%	2.84%
3 years p.a.	8.59%	5.05%
5 years p.a.	5.08%	1.93%
7 years p.a.	6.61%	5.02%
10 years p.a.	8.78%	8.21%
Inception p.a.	10.54%	8.75%

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 June 2025*



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	Meridian Energy
Turners Automotive Group	The a2 Milk Company
Genesis Energy	Chorus Networks
NZME	Fisher & Paykel Healthcare
Heartland Group Holdings	Spark

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

June was a volatile quarter as investors reacted to an ever-changing whirl of news emanating out of the US regarding tariffs, Iran and the "Big Beautiful Bill" (BBB). After being sharply down early in the period, global equities ended up returning +11.5%, with the way being led by the Nasdaq 100 return of +18.0%. Australia returned +9.5%, while NZ trailed behind at +2.7%.

The Fed remained on hold during the quarter. Uncertainty remained elevated regarding both tariff policies and pass-through and activity data generally remained solid along with some areas of inflation persistence. The ECB cut rates in April and June on the back of easing inflation, but they did indicate that they are nearing the end of the rate cutting cycle.

The labour market remained tight in Australia. Despite this, and on the back of perceived favourable inflation dynamics, the RBA cut rates in May for a second time this cycle to reach 3.85%. The market is pricing a further 75bp but this would require some labour market weakening.

The NZ economy is bouncing along the bottom of the cycle. March quarter GDP data was stronger than expected but June data has softened. At the same time, inflation appears headed back to the top end of the RBNZ's target range. After having eased a total of 225bp so far, a pause in the rate cutting cycle appears likely.

Salt NZ Dividend Fund Commentary

The Fund comfortably outperformed the market in the June quarter, rising by +4.85% compared to the +2.71% advance by the S&P/NZX50 Gross Index. Returns were very much dominated by two high conviction overweight positions although the rest of the Fund also did relatively well.

Our large, long-standing position in Turners (TRA, +22.3%) rose sharply. Their solid result was quite an achievement in a difficult car industry environment. TRA epitomises what this fund looks to invest in. While they have re-rated to a fair degree, the forecast PE path is still 14.9x going to 13.4x and then 12.4x, it pays a high and growing dividend which is well covered by cashflows, it reinvests the portion of earnings it retains at a very high marginal ROIC and it has many years of growth ahead thanks to its sustainable advantages over its used car industry peers. Nearer term, TRA should benefit from better finance margins after RBNZ rate cuts and an eventual upswing in the economy.

Tower (TWR, +14.8%) did well after it had been hard hit in April by loose holders following the sale of the 20% Bain stake. TWR's result in May was rock-solid and delivered on their plethora of earlier upgrades. The story is changing as the strong insurance premium cycle has matured. At the same time, reinsurance pricing is also ebbing, so margins are holding well. Competitive behaviour remains rational, TWR is benefitting from a continuation of better-than-expected claims experience, some modest volume gains and strong leverage of their cost base. Major upgrades are now likely behind us but TWR still has moderate growth ahead, is on a PE of circa 7.0x, a gross dividend yield of 15% and will occasionally pay large specials on top of that when they have a light year for large events – which is still the case so far in 2025.

Other positives came from the takeover of our long-term holding in Marsden Maritime (MMH, +8.1%), a bid for our tiny holding in Vital Networks (VTL, +73.5%) and weakness from underweights such as Sky City (SKC, -25.4%), Auckland Airport (AIA, -5.2%) and Vulcan Steel (VSL, -29.7%). Headwinds were relatively few, with Spark's (SPK, +18.5%) bounce being the largest of them, while underweights in Fisher & Paykel Healthcare (FPH, +8.5%), Fonterra (FSF, +18.7%) and Manawa Energy (MNW, +27.6%) also weighed a little.

At month-end, we project the Fund to yield 4.1% versus 3.6% for the Index.

Matthew Goodson, Portfolio Manager

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