Salt NZ Dividend Appreciation Fund Fact Sheet – December 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 December 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$103 million
Inception Date	31 July 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 December 2024

Application	1.7929
Redemption	1.7856

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 December 2024

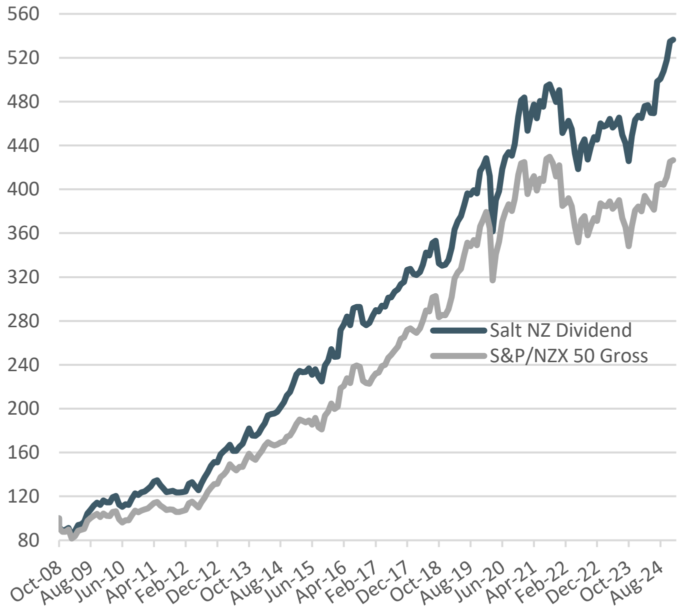
NZ shares	98.84%
Cash	1.16%

Fund Performance to 31 December 2024

Period	Fund Return*	Benchmark Return
1 month	0.33%	0.34%
3 months	5.65%	5.53%
6 months	14.29%	11.89%
1 year	15.77%	11.39%
2-year p.a.	9.76%	6.89%
3 years p.a.	3.03%	0.19%
5 years p.a.	4.97%	2.67%
7 years p.a.	7.35%	6.57%
10 years p.a.	9.19%	8.94%
Inception p.a.	10.89%	9.30%

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 December 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
Turners Automotive	Auckland International Airport
Tower	Chorus Networks
Heartland Group Holdings	Goodman Property Trust
Marsden Maritime Holdings	Meridian Energy
Genesis Energy	Fisher & Paykel Healthcare

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

US events dominated the December quarter, with Donald Trumps's victory, a hawkish pivot from the Fed and ongoing USD strength. Trump's victory signals greater inflation risks from looser fiscal policy, higher tariffs and tighter immigration settings. Additionally, signs of stubborn inflationary pressure saw the Fed signal less scope for future rate cuts. These negative macro developments were offset by continued AI exuberance, which saw developed market equities flat at -0.1% over the quarter, while the global aggregate bond index declined by a massive -5.1% (in USD).

The ECB delivered a 25bp rate cut in December, taking the deposit rate to 3.0%. They also removed a reference to the need for restrictive policy, which opens the door to further rate cuts. Political ructions in France and Germany also impacted markets. The Bank of Japan left interest rates unchanged in December though expectations of another rate hike continue to build. Chinese authorities signalled further stimulus is in the pipeline, though details remain scant. Stimulus delivered to date appears to be driving a few glimmers of recovery, but more action is required, preferably aimed at boosting demand (consumption) rather than supply.

The RBA delivered a slightly dovish statement in December but hopes for a February rate cut were dashed as the unemployment rate surprised to the downside at just 3.9%. NZ labour market data for the September quarter was weak and the unemployment rate rose from 4.6% to 4.8%, with only a decline in participation preventing a sharper rise. Similarly, September quarter GDP data showed a sharp fall in activity through mid-2024. This seems to cement in a further 50bp cut in the OCR in February.

Salt NZ Dividend Fund Commentary

The Fund performed largely in line with the strong market in the December quarter, returning +5.65% compared to the +5.53% advance by the S&P/NZX50 Gross Index. In a quarter which was dominated in NZ and globally by momentum-style factors, we were satisfied to get our nose in front.

The large overweight in Turners (TRA, +25.9%) was the stand-out positive contributor. TRA defied the gloom in the NZ economy and a downturn in used car sales by posting a slightly better-than-expected result, with strength in their finance and insurance divisions offsetting a crimping in car sales margins. Importantly, car sales and margins picked up solidly in October and the outlook for the finance division is strong as rate cuts lower their funding costs. They continue to roll out new sites at strong returns, the cycle is now in their favour and their latest move into mobile repairs could grow into something meaningful. TRA is still on reasonable valuation multiples.

Other winners were another quality cyclical in the form of Freightways (FRW, +16.9%) as investors looked forward to a stronger economy; a small position in Scales (SCL, +16.0%) that was bought at low levels; and a growing overweight in Genesis Energy (GNE, +6.6%) which is a real valuation outlier versus the sector.

The largest headwind was our underweight in Auckland Airport (AIA, +16.5%), which has rose sharply post the sale of the Auckland Council stake. AIA is now well above pre-Covid multiples but traffic is still only returning gradually to those levels and their terminal is no longer a booming infant formula/honey emporium. Offshore investors appear to misunderstand and overpay for the material portion of the business that is regulated, with it being the unregulated parts such as shopping and parking that are required for excess returns. AIA rose unusually in the last four days of the quarter.

Other headwinds came from not owning a number of strongly performing small cap names. The largest were Hallenstein Glasson (HLG, +35.2%), Serko (SKO, +28.6%), Skellerup (SKL, +18.2%) and Gentrack (GTK, +17.3%).

At quarter-end, we project the Fund to yield 4.2% versus 4.0% for the Index.

Matthew Goodson, CFA