Salt NZ Dividend Appreciation Fund Fact Sheet – October 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 October 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$100 million
Inception Date	31 July 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 October 2024

Application	1.7684
Redemption	1.7613

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 October 2024

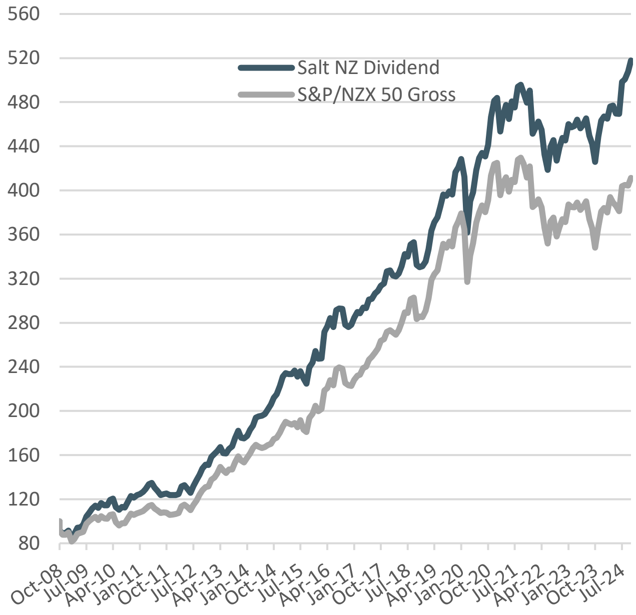
NZ shares	98.82%
Cash	1.18%

Fund Performance to 31 October 2024

Period	Fund Return*	Benchmark Return
1 month	1.97%	1.73%
3 months	3.88%	1.88%
6 months	8.58%	5.70%
1 year	21.61%	17.49%
2-year p.a.	8.58%	5.57%
3 years p.a.	1.98%	-1.19%
5 years p.a.	5.49%	3.21%
7 years p.a.	7.44%	6.47%
10 years p.a.	9.35%	8.90%
Inception p.a.	10.77%	9.15%

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 October 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	Chorus Networks
Turners Automotive	Goodman Property Trust
Heartland Group Holdings	Kiwi Property Group
Marsden Maritime Holdings	Fisher & Paykel
NZME	A2 Milk

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Equities Market Commentary

October was rather volatile, with developed market equities falling -2.0%. The global aggregate bond index fell by an even sharper -3.4%. US September inflation data was hotter than expected, with core CPI sticky at 3.3% y/y. Stronger activity and labour market data also saw markets pare back the likely pace of US interest rate cuts to 25bp moves in November and December. US election uncertainty also fed higher bond yields, via concerns re fiscal sustainability and the prospect of tariffs under a possible Trump victory.

Weakening European economic momentum saw the ECB deliver a third 25bp cut in the deposit rate, taking it to 3.25%. UK headline inflation fell to 1.7% y/y, but core remained higher at 3.2%. The labour market remains tight with the unemployment rate falling to 4.0%, while the UK Budget announcement put upward pressure on Gilts. The Bank of Japan left interest rates unchanged, but the tone of their statement was hawkish. China announced further support for the ailing property market. Collective stimulus measures to-date should result in improved activity levels, but we still think more is required, particularly more meaningful action to boost consumption.

Australian job growth beat expectations for the sixth consecutive month in September. For now, that is being met by increased labour supply, but the risk is that labour supply growth cools before demand does, reigniting wage inflation. No rate cuts are expected until next year.

NZ CPI inflation came in at 2.2% y/y in September. The tradables sector fell -1.6% y/y but non-tradeable inflation remains too high at +4.9% y/y. The RBNZ will be watching the latter closely as they now muse on the challenge of sustaining inflation within the 1-3% target band. A further 50bp rate cut is widely expected at the November meeting.

Salt NZ Dividend Fund Commentary

The Fund slightly outperformed in the month of October, returning +1.97% compared to the +1.73% advance by the S&P/NZX50 Gross Index. There was limited dispersion between the largest contributors and detractors.

A recent theme for the Fund has been to be overweight a range of quality cyclicals in the expectation that their performance will improve as NZ's rate cut medicine feeds through to the real economy in 2025. A couple of standouts here included Freightways (FRW, +15.3%) and Turners (TRA, +3.4%). The latter also benefits directly from rate cuts as a portion of their finance book is funded on a floating rate basis. Other positives were the moderate overweight in Scales (SCL, +14.6%) which rose following the exit of a former strategic shareholder and underweights in a2 Milk (ATM, -7.3%) and Gentrack (GTK, -6.9%).

Headwinds were relatively minor in both number and magnitude. In a positive month for the market, they came from a range of moderate underweights in Skellerup Holdings (SKL, +12.2%), Ryman Healthcare (RYM, +15.6%), Hallensteins (HLG, +17.7%) and Goodman Property (GMT, +2.9%).

At month-end, we project the Fund to yield 4.4% versus 3.9% for the Index.

Matthew Goodson, CFA