

# SALT

## Salt Core NZ Shares Fund Fact Sheet – March 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 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 31 March 2024

|                   |                        |
|-------------------|------------------------|
| Benchmark         | S&P/NZX 50 Gross Index |
| Fund Assets       | \$46 million           |
| Inception Date    | 1 December 2020        |
| Portfolio Manager | Paul Harrison          |

### Unit Price at 31 March 2024

|             |        |
|-------------|--------|
| Application | 0.9175 |
| Redemption  | 0.9137 |

### 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% |
|-----------------------|------|

### Fund Allocation at 31 March 2024

|                          |        |
|--------------------------|--------|
| NZ shares                | 91.92% |
| Australian Shares        | 5.84%  |
| Cash or cash equivalents | 2.24%  |

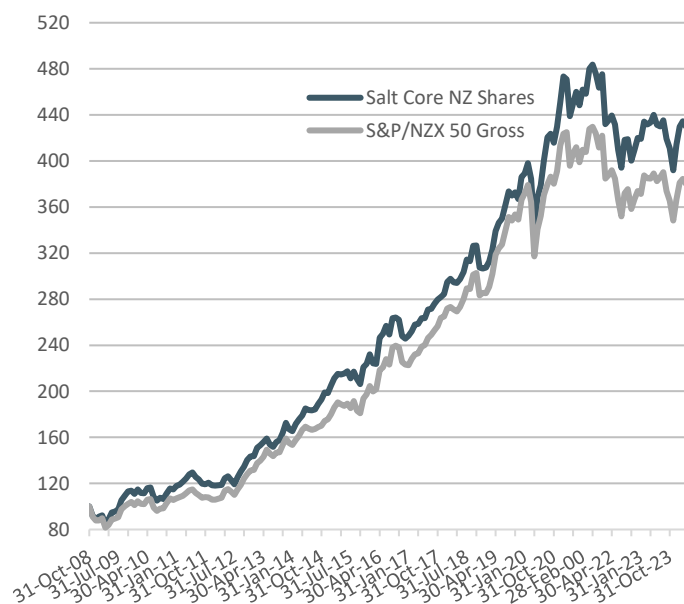
### Fund Performance to 31 March 2024

| Period         | Fund Return* | Benchmark Return |
|----------------|--------------|------------------|
| 1 month        | 2.63%        | 3.10%            |
| 3 months       | 2.61%        | 2.84%            |
| 6 months       | 7.25%        | 7.17%            |
| 1 year         | 1.74%        | 1.86%            |
| 2 years p.a.   | 0.15%        | -0.02%           |
| 3 years p.a.   | -0.67%       | -1.22%           |
| 5 years p.a.   | 5.38%        | 4.22%            |
| 7 years p.a.   | 7.92%        | 7.71%            |
| 10 years p.a.  | 9.44%        | 8.94%            |
| Inception p.a. | 10.04%       | 9.21%            |

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 31 March 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       |
|----------------------------|------------------------|
| Infratil                   | A2 Milk                |
| Mainfreight                | Goodman Property Trust |
| Freightways                | Sky City               |
| Fisher & Paykel Healthcare | Meridian Energy        |
| Contact Energy             | Mercury Energy         |

SALT FUNDS MANAGEMENT

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## Equities Market Commentary

The March quarter saw global equity markets rise by +15.3% as activity data around the world supported a soft landing and the AI boom continued unabated. The mega-cap poster child of this theme, Nvidia rose by +82%.

It was a more challenging period for bond investors as resilient growth along with sticky inflation saw a less dovish Federal Reserve, with the global aggregate bond index returning -2.1%. At the end of 2023, seven rate cuts were expected in the US in 2024. By the end of the quarter that had been brought into line with the Fed's "dot plot" of three cuts.

Japan's TOPIX rose +18.1% despite the BoJ announcing the end of its negative interest rate policy, yield curve control, and its purchases of listed ETF's. Euro-area inflation continued to decline, coming in at 2.6% in February. June may see the first rate-cut. The Chinese economy began to respond to recent stimulus. Official data on retail sales, industrial production and fixed asset investment beat expectations but we believe further stimulus will be required if the official target of around 5% GDP growth in 2024 is to be met.

Australian Q4 GDP data confirmed a subdued end to 2023 and recent indicators point to below-trend growth in early 2024. With the effects of tight monetary policy increasingly evident in activity data and inflation trending in the right direction, monetary policy is expected to remain on hold for the foreseeable future. NZ December 2023 quarter GDP came in at -0.1% q/q and -0.3% y/y. The economy has now contracted in four of the last five quarters. We continue to believe the RBNZ's next move is a cut, but not until November.

## Salt Core NZ Shares Fund Commentary

A strong performance in the month of March helped the New Zealand equity market finish the quarter on a positive note. The NZX50Gross recorded a 2.84% rise for the March quarter. The Fund slightly underperformed with a 2.61% return.

Many of the Fund's core overweight positions produced very solid performances over the quarter. Fisher & Paykel Healthcare +8.7%, Infratil +8.6%, Contact Energy +10.3%, Westpac Bank +14.7%, Macquarie Group +8.8%, Freightways +7.1%, Tower +13.9%, and Summerset +12.5%. However, not all of our core positions did as well with CSL +1.1% and Mainfreight +0.6% posting small gains.

The market experienced wild variations in performances. Some of which could be explained by disappointing earnings reports like Fletcher Building (-13.8%) but other moves based on speculative themes such as a2 Milk +47.4%, Gentrack +34.4%, and Vista Group +21.2% are harder to fathom. Sky City +18.3% also bounced hard on news that the government would tighten the rules for online gaming. These four stocks represented a relative performance knock over the quarter of circa 1%, with a2 Milk being the largest component. The Manager remains a sceptic on a2 Milk which rose on a better-than-feared result and then further based on the likelihood of a rise in Chinese babies being born in the year of the Wood Dragon. We still believe that the market is being far too optimistic about the Chinese birth outlook beyond 2024. The Shanghai Academy of Social Sciences forecasts China's population to shrink from 1.4 billion people at present, down to 525 million by 2100. At the same time, the over-65-year-old group expands from 14% population to 40% of the population. Infant milk producers will be fighting over an ever-decreasing market. a2 Milk remains the Fund's largest underweight.

The Fund's positioning in the retirement sector proved correct throughout the March quarter. The overweight in Summerset (+12.1%) outperformed the other underweight positions in Ryman (-22.9%), Arvida (+0.9%) and Oceania (-17.1%).



Paul Harrison, MBA, CA