Salt NZ Dividend Appreciation 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 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 November 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$112 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 November 2023

Application	1.5535
Redemption	1.5472

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 30 November 2023

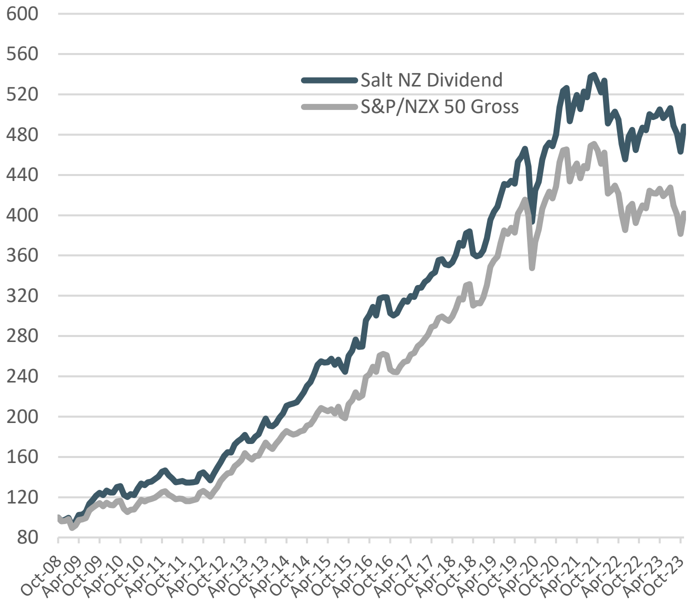
NZ shares	98.30%
Cash	1.70%

Fund Performance to 30 November 2023

Period	Fund Return*	Benchmark Return
1 month	5.37%	5.32%
3 months	-0.19%	-1.94%
6 months	-1.67%	-4.10%
1 year	0.25%	-1.93%
2-year p.a.	-3.28%	-5.62%
3 years p.a.	-1.28%	-3.91%
5 years p.a.	6.32%	5.12%
7 years p.a.	7.19%	7.35%
10 years p.a.	9.83%	8.98%
Inception p.a.	10.40%	8.94%

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 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
Turners Automotive	Auckland International Airport
Tower	Goodman Property Trust
Marsden Maritime Holdings	Sky City
Freightways	A2 Milk
NZX	Precinct NZ

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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 NZ Dividend Fund Commentary

After outperforming strongly during the weak month of October, the Fund pleasingly kept pace with the bullish reversal in November, rising by +5.37% compared with the +5.32% advance by the S&P/NZX50 Gross Index.

The Fund's relatively low beta nature means that it tends to add value in weak and choppy markets and struggle to keep up a little in strong bull markets. That played out for the bulk of the holdings but the Fund's sizeable long-held position in Turners (TRA, +13.4%) more than offset the moderate relative weakness elsewhere.

TRA delivered an excellent result for the September half, highlighted by very strong car retailing performance more than offsetting the headwinds from their partially hedged finance book. As rates stop rising and then eventually start falling, this will turn into a tailwind. Meanwhile, we see them continuing to inexorably take market share as undercapitalised competitors exit. In early December, it was confirmed that they will be added to the S&P/NZX50 index.

Other tailwinds were far smaller, with highlights including modest overweights in Freightways (FRW, +10.1%) and Westpac (WBC, +8.4%) and underweights in Arvida (ARV, -12.4%) and Ryman Healthcare (RYM, -4.9%).

Headwinds were led by our underweight in Auckland Airport (AIA, +7.9%) which rose for reasons that escape us but perhaps as a reaction to sharp falls in bond yields. The second key detractor was having no holding in the low yielding Goodman Property (GMT, +7.5%). Finally, the large overweight in Tower (TWR, -4.7%) lagged. Their result was largely as expected, their guidance for the coming Sep24 year was a little weaker than consensus but was based on ultra-conservative metrics, while their initial Sep25 guidance around key metrics was far above market. Post month-end they have announced a strategic review which will hopefully lead to a change of control transaction but we will just have to wait and see.

At month-end, we project the Fund to yield 4.8% versus 4.1% for the Index.

Matthew Goodson, CFA