Salt NZ Dividend Appreciation Fund Fact Sheet – March 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 31 March 2025

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$99.75 million
Inception Date	31 July 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 March 2025

Application	1.7079
Redemption	1.701

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 March 2025

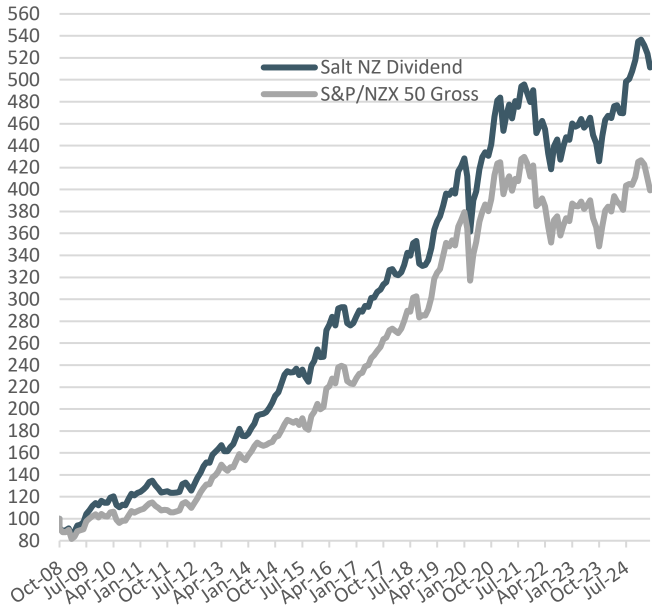
NZ shares	97.26%
Cash	2.74%

Fund Performance to March 2025

Period	Fund Return*	Benchmark Return
1 month	-2.42%	-2.63%
3 months	-4.74%	-6.41%
6 months	0.65%	-1.24%
1 year	7.38%	1.36%
2-year p.a.	5.59%	1.60%
3 years p.a.	3.40%	0.43%
5 years p.a.	7.17%	4.60%
7 years p.a.	6.82%	5.71%
10 years p.a.	8.16%	7.72%
Inception p.a.	10.39%	8.72%

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 March 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	Auckland International Airport
Turners Automotive Group	a2 Milk
Marsden Maritime Holdings	Meridian Energy
Genesis Energy	Chorus
NZME	Kiwi Property Group

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Equities Market Commentary

Markets entered 2025 upbeat about prospects under the new Trump administration but the reality has been quite different. Heightened uncertainty stemming from erratic tariff announcements drove a sharp deterioration in “soft” data such as confidence measures, along with a sharp rise in consumer inflation expectations. Markets fear this will turn into stagflationary “hard” data. US antagonism towards Europe has elicited a strong response that has added to fiscal sustainability concerns and stubborn inflation.

In this environment, developed market equities perhaps did well to only fall -1.8%, while the global aggregate bond index rose +2.6%. Bond performance reflects hopes that central banks will respond to lower growth but inflation remains stubborn. The Fed left rates unchanged in March but forecasts were given a stagflationary tweak, with slower growth and more enduring inflation. Almost every Governor now sees inflation and unemployment risks to the upside but the “dots” still showed a bias to cut rates further this year. Whether that happens is a clear risk.

Trump’s combative approach toward Europe has resulted in dramatic, constitutional changes to Germany’s fiscal settings. Bund markets were surprised by proposals by proposals to ease off the legislated “debt brake” for defence spending, as well as a new €500bn infrastructure spending plan. In Japan, early signs from the 2025 spring wage negotiation (shunto) indicate wage growth will exceed last year and supports the case for further rate hikes. Activity data in China improved but may have been due to exporters front-running US tariffs.

The RBA cut rates 25bp to 4.1% for the first time in February but the Statement was hawkish, pushing back on expectations of more to come. The Federal Budget spent the recent windfall revenue gains, cementing in structurally higher spending and persistent budget deficits. An election has been called for May 3rd. NZ economic data continues to point to a stabilisation in activity. The RBNZ cut the OCR 50bps to 3.75% in February and signalled 2-3 more cuts at a more subdued 25bp pace in the months ahead.

Salt NZ Dividend Fund Commentary

The Fund comfortably outperformed the market in the March quarter, declining by -4.18% compared to the sharp -6.41% decline by the S&P/NZX50 Gross Index. This reflected a mixture of good stock selection and the general propensity of this Fund to outperform when markets retrace.

The stand-out contributor by a significant distance was the medium-sized overweight in Marsden Maritime (MMH, +57.4%). MMH has enormous long term growth opportunities from their deep-water port that is half a day closer to China than Auckland. At some stage, the Devonport dry-dock should move there, and Northport will benefit from improved connections to the road and rail network. They own significant land, which will become far more valuable as the whole port develops. The issue was funding this growth, but the joint takeover by Port Of Tauranga, the local council and local iwi solves this. We think the bid is highly likely to be completed and we certainly support it.

Tower (TWR, +13.5%) was yet again a strong contributor. They continued with their long run of profit upgrades, lifting the Sep25 year NPAT from $50-60m to $60-70m. We wouldn’t be at all surprised if they are running above the top end of that upgraded guidance and this still assumes the full $50m pre-tax hit from large event retention, of which there has only been $3m year-to-date. We still argue that the sell-side fundamentally undervalues TWR by using both a high cost of capital and assuming the full $50m of large event retention every year – it should be one or the other, not both. At quarter-end, we participated heavily in the long-awaited Bain stake sell down. This may put a temporary lid on short term performance but we remain as bullish as ever given the cheap valuation and earnings risks that tilt to the upside.

Other positives came from our large, long-held position in Turners (TRA, +7.7%), which upgraded guidance yet again and is a clear beneficiary of rate cuts. Our overweight in NZME (NZM, +17.0%) assisted as a corporate play for control of the Boardroom heated up. Underweights that helped included Spark (SPK, -24.9%), which had a very poor result; Summerset (SUM, -13.2%).and Ryman (RYM, -36.8%), which had a further large equity raising.

There were two stand-out detractors. Heartland Group (HGH, -19.5%) surprised with the extent of the bad debt skeletons hiding in the closet from their chequered history of lowish quality lending. While at face, HGH’s new provisions should have a PE of 1x, and may have an element of deck-clearing, the extent of ongoing cost increases from the core business also surprised. From here, their valuation appears cheap but it is only a moderate conviction position until they put some runs on the board.

The other large headwind came from the underweight in a2 Milk (ATM, +40.4%) which surprised the market with a profit upgrade. They have done an excellent job growing share in the very difficult Chinese infant formula market but this will not get any easier as demographics continue to gradually turn the screw. While it includes some cash and a loss-making business, the forward PE path of 33x Jun25 and 29x Jun26 is aggressive for a shrinking market prize. This cross-checks with our DCF valuation.

At month-end, we project the Fund to yield 4.4% versus 4.1% for the Index.

Matthew Goodson, Portfolio Manager