

SALT

Salt Core NZ Shares Fund Fact Sheet – April 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 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 30 April 2025

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$78.3 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 30 April 2025

Application	0.8954
Redemption	0.8918

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%
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Fund Allocation at 30 April 2025

NZ shares	96.63%
Australian Shares	2.86%
Cash or cash equivalents	0.51%

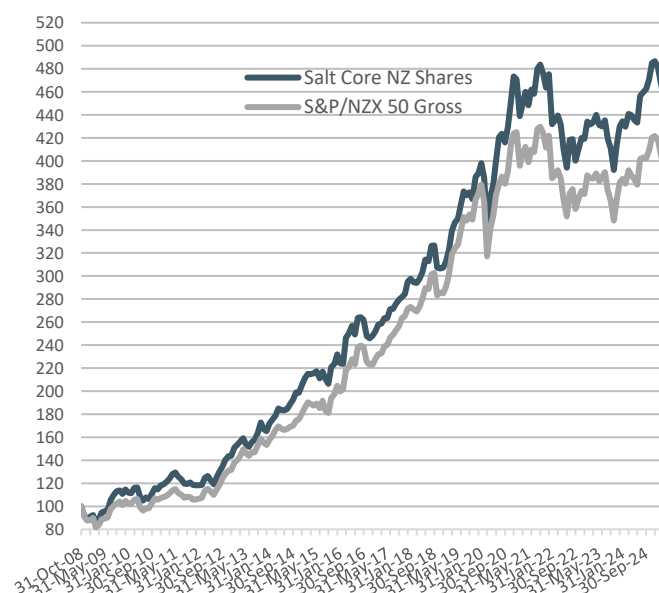
Fund Performance to 30 April 2025

Period	Fund Return*	Benchmark Return
1 month	-2.42%	-2.99%
3 months	-7.95%	-8.40%
6 months	-6.01%	-5.82%
1 year	0.67%	-0.45%
2 years p.a.	0.30%	-0.48%
3 years p.a.	0.83%	0.06%
5 years p.a.	3.72%	2.48%
7 years p.a.	5.83%	5.03%
10 years p.a.	7.46%	7.47%
Inception p.a.	9.38%	8.47%

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 30 April 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
Mercury NZ	Meridian Energy
Tower	Kiwi Property Group
Infratil	Auckland International Airport
Freightways Group	a2 Milk
CSL	Chorus

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Equities Market Commentary

April was volatile across all markets as changes to the global trade environment impacted on share, bond and currency markets. President's Trump's "Liberation Day" tariffs surprised in scale and scope but equities recovered later in the month as some measures were softened or delayed. Developed market equities ended the month up +0.9%, with the US underperforming most other markets. The Nasdaq 100 closed +0.9% but moved in a 19.8% range.

Bond markets were similarly volatile as the yield on 10-year US Treasuries reached 4.51% post Liberation Day, before recovering to 4.16% at month end. The global aggregate bond index returned +2.9% helped by a rally in Euro area bond yields.

US data pointed to an emerging slowdown, with the University of Michigan consumer sentiment index falling to levels not seen since the pandemic. Inflation data came in better than expected but tariff impacts lie ahead. Markets are aggressively pricing in 4 Fed rate cuts which seems too aggressive.

The ECB cut the discount rate 25bp to 2.25%, noting the disinflationary process remained "well on track". In Japan, the manufacturing PMI index remained in contractionary territory, reflecting the risks from US tariffs to Japanese exports. Tit-for-tat retaliation saw US tariffs on Chinese goods increase to 145% but the apparent US willingness to negotiate helped ease tensions later in the month.

Global trade disruptions and the implications for Chinese growth saw markets pricing in a significant easing in monetary policy by the RBA. This was despite a April quarter CPI result that was a touch higher than expected. The labour market will be a key determinant in how far the RBA can reduce interest rates. NZ April quarter inflation of 2.5% was at the top end of expectations. Activity data was broadly consistent with the theme of a stabilisation. The RBNZ cut the OCR by 25bp, lower than their recent pace of 50bp cuts, to 3.5%.

Salt Core NZ Shares Fund Commentary

April was all about President Trump's "Liberation Day" tariffs that were announced on April 2nd in the USA. The initial response by markets was an aggressive selloff but also a flight to markets and sectors that were perceived to be safe or benefit from the disruption. Investors flooded into a couple of the big Australian banks, CBA (+10.4%), and NAB (+6.2%) on the perception of domestic safety. CBA, which is on a very expensive forward PE of 27.5x and is most likely facing the implications of a slowing economy. The Fund's banking exposure ANZ (+2.6%) did not catch such an excited bid and was down in NZ dollar terms due to the strength of the Kiwi dollar. The ASX200 Accumulation Index bounced a surprising 3.6% over April, whilst the NZ50Gross Index slid -3.0%.

The standout holding for the Fund was Challenger (+17.6%), which performed strongly after they announced a solid Q3 update during the month and their value appeal was franked when Dai-Ichi Life acquired a 15.1% stake at a 53% premium to the then share price. Dai-Ichi stated that they have no immediate intentions of making a takeover bid, but

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this confirmation of valuation puts a floor under Challenger for now, as they use their dominant position to grow in the Australian annuity space

Another strong Australian performer for the Fund was Resmed (+4.9%). Resmed (+4.9%) was an example of a company that is apparently untouched by tariffs after they revealed that US federal authorities had confirmed Resmed's products would still be imported on a zero-tariff basis under the Nairobi Protocol covering products that are designed or adapted for the handicapped. Fellow healthcare stocks Fisher & Paykel (+1.4%) and CSL (+0.7%) also added some alpha to the Fund.

In New Zealand, the Fund's holdings in Infratil (+1.6%), and Turners (+1.3%), along with Gentailers Mercury (-0.4%) and Genesis (+2.1%) outperformed. The Fund was also underweight or does not own some of the very weak performers in the tourism and export sectors such as Auckland Airport (-8.0%), Air NZ (-7.9%), Sky City (-8.7%), Serko (-8.9%), Skellerup (-11.3%) and THL (-22.6%). The concerns about global growth and disrupted trade flows did, however impact Mainfreight (-10.0%), Port of Tauranga (-7.2%) and Freightways (-5.7%).

Tower (-10.4%) proved to be somewhat of a headwind over the month after private equity firm Bain sold their 20% stake at \$1.30 compared to the end-April price of \$1.49. This inevitably led to a period of weakness as the market absorbed the extra shares. Towards the end of month, Tower announced a 15% profit upgrade, lifting guidance from a range of \$60-70m to \$70-\$80m. This still assumes their full large event allowance of \$50m even though there has been only \$3m so far. Depending on large events between now and end-September, Tower is trading on a PE of 4.4x – 6.2x our numbers

The Fund outperformed with a return of -2.4% versus its NZX benchmark's -3.0%.

During the month, the Fund took the opportunity to pick up some heavily sold property REITS, including Kiwi, PFI, Investore, Precinct, Stride, and GMT. The Fund also purchased shares of Tower in the discounted sell-down by Bain Capital, bought more Auckland Airport, Fisher & Paykel Healthcare, Orica, Genesis Energy and Ebos. The Fund was a seller of Spark, Vicinity Centres, Challenger, Summerset, Scales, Contact Energy and Infratil.



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