Salt NZ Dividend Appreciation 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 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 2024

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$115 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 March 2024

Application	1.648
Redemption	1.6413

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 2024

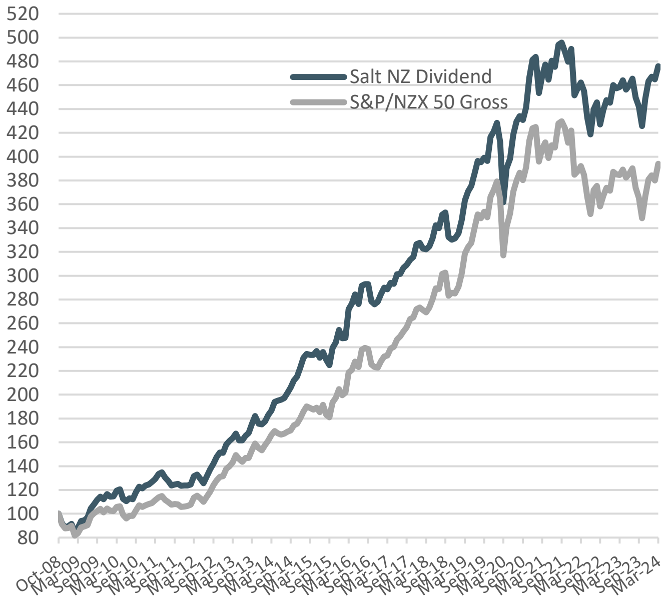
NZ shares	98.40%
Cash	1.60%

Fund Performance to 31 March 2024

Period	Fund Return*	Benchmark Return
1 month	2.35%	3.66%
3 months	2.70%	3.41%
6 months	7.67%	7.75%
1 year	3.83%	2.40%
2-year p.a.	1.46%	0.25%
3 years p.a.	0.61%	-1.05%
5 years p.a.	5.54%	4.33%
7 years p.a.	7.41%	7.79%
10 years p.a.	9.82%	9.00%
Inception p.a.	10.59%	9.25%

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 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	A2 Milk
Turners Automotive	Auckland International Airport
Marsden Maritime Holdings	Goodman Property Trust
Freightways	Mercury Energy
Scales Corporation	Sky City

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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 NZ Dividend Fund Commentary

The Fund slightly underperformed in the March quarter, advancing by +2.70% compared with the +3.41% move by the S&P/NZX50 Gross Index.

The stand-out positive contributor was our long-standing holding in Tower (TWR, +13.9%). There was no news on their strategic review but they upgraded this year's guidance to at/above the top end of their range on the basis of strong GWP growth, early signs of improving motor loss experience and strong cost controls. More importantly, TWR gave initial NPAT targets of $40-60m for Sep25 and $60-80m for Sep26, post all large event deductibles. At their mid-points, these put TWR on a PE of 5.2x in Sep25 and 3.7x Sep26. Clearly, no one believes them except us.

The other notable tailwind was our underweight in Ryman Healthcare (RYM, -22.9%) which delivered disappointing profit guidance as they struggle to sell units against a backdrop of a weak housing market. In our view, their balance sheet is at a degree of risk should these conditions persist. Modest positives came from overweights in Freightways (FRW, +7.2%) and Infratil (IFT, +8.6%).

By far the largest headwind came from our underweight in a2 Milk (ATM, +47.4%) which rose on a better than feared result. We believe that the market is being far too optimistic on the Chinese birth outlook and that there is some risk that Chinese label sales may prove unsustainable once stores are fully stocked. Other headwinds came from not owning volatile small caps Gentrack (GTK, +34.4%), Hallensteins Glassons (HLG, +24.0%) and Vista Group (VGL, +21.2%). Not owning the ESG-challenged Sky City (SKC, +18.6%) was also a moderate drag.

At quarter-end, we project the Fund to yield 4.4% versus 3.7% for the Index.

Matthew Goodson, CFA