
# Salt NZ Dividend Appreciation Fund Fact Sheet – January 2021

## Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in managing NZ/Australian equity and listed property mandates for wholesale and retail clients.

## 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 January 2021

| | |
|---|---|
| Benchmark | S&P/NZX 50 Gross Index |
| Fund Assets | $104 million |
| Inception Date | 30 June 2015 |
| Portfolio Manager | Matthew Goodson, CFA |

## Unit Price at 31 January 2021

| | |
|---|---|
| Application | 1.8477 |
| Redemption | 1.8402 |

## 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 January 2021

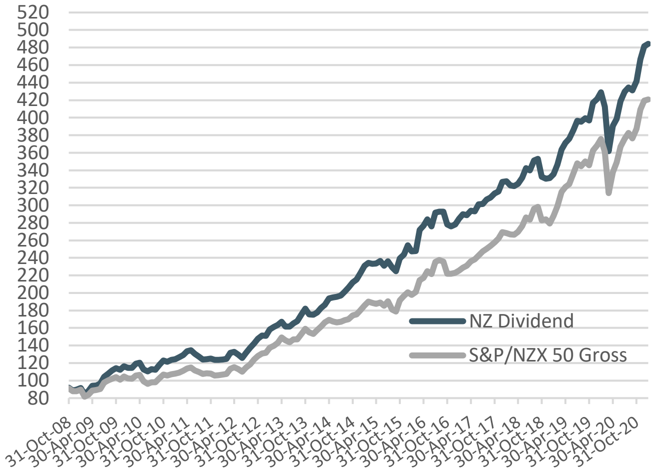
| | |
|---|---|
| NZ shares | 98.78% |
| Cash | 1.22% |

## Fund Performance to 31 January 2021

| Period | Fund Return* | Benchmark Return |
|---|---|---|
| 1 month | 0.54% | 0.27% |
| 3 months | 9.63% | 8.63% |
| 6 months | 12.68% | 11.93% |
| 1 year | 12.92% | 12.03% |
| 2-year p.a. | 20.07% | 20.87% |
| 3 years p.a. | 13.89% | 15.85% |
| 5 years p.a. | 14.36% | 16.30% |
| 7 years p.a. | 15.40% | 15.20% |
| 10 years p.a. | 14.54% | 14.67% |
| Inception p.a. | 13.64% | 12.45% |

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 November 2008 to 30 June 2015, performance is from a fund with the same strategy and the same portfolio manager.

## Cumulative Fund Performance to 31 January 2021*




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 | Ryman Healthcare |
| Turners Automotive | Goodman Property Trust |
| Spark NZ | Ports of Tauranga |
| Marsden Maritime Holdings | Genesis Energy |
| Oceania | Meridian Energy |

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

## NZ Market Commentary

**Equities started the year giving back some of 2020's gains with the MSCI World Accumulation Index falling 1% in January, after returning nearly +16% over 2020.**

US stocks had a volatile month, starting off well on hopes of a large Biden stimulus package and despite the assault on the US Capitol. They were then dragged lower as hopes for stimulus dimmed and new more virulent Covid-19 strains emerged. Overall, the key indices the S&P500 and the Dow ended -1% and 2% respectively, while the tech-heavy Nasdaq rose +1.4%. European and UK stocks started the month well on stimulus and vaccine rollout optimism but then turned down on stricter lockdowns as the spread of new Covid-19 strains accelerated. The UK's FTSE100 fell -0.8%, Germany's DAX30 -2% and France's CAC -2.7%.

It was a different story in Asia with most markets recording positive returns in the month. Chinese stocks were initially hit by Trump banning US investment in certain stocks which local buyers scooped up and drove to new highs. Healthy Chinese GDP data also boosted stocks. The Shanghai Composite rose +2.7% and Hong Kong's Hang Seng +3.9%.

The Australian S&P/ASX200 started the month better than it finished, up a mere +0.3%. With mixed performance across sectors, Consumer Discretionary (+4.7%) continued to surprise as local retailers benefit from the shift in wallet share, whilst the yield sensitive A-REITS fell (-4.4%) on higher bond yields and vacancy expectations.

**NZ's S&P/NZX50 Gross ended the volatile month up +0.3%. The strongest performers were Heartland (+12%) on lower bad debt expectations, Trustpower (+10%) as renewables drifted up, and Freightways (+9%) on a strong demand. The worst performers were Tourism Holdings (-13%) and Air New Zealand (-12%) whose Covid-19 woes continue, and Pacific Edge (-11%) after a meteoric run in 2020.**

## Salt NZ Dividend Fund Commentary

**The Fund moderately outperformed its benchmark in the month of January, advancing by +0.54% compared to the +0.27% turned in by the S&P/NZX50 Gross Index. The month was a typically quiet holiday season period without a great deal of major news or volatility.**

The largest positive contribution again came from Turners (TRA, +5.8%), which has been one of the key overweights for the Fund for some time. This is unlikely to change given the forward PE of just 11x and net dividend yield of nearly 6% combined with a solid growth outlook which is diversified across its various divisions. During the month, they lifted their Mar21 year guidance range by 15% at the mid-point due to strong trading across their auto retail, finance, and insurance businesses.

The second notable tailwind came from our long-standing holding in Marsden Maritime (MMH, +6.8%). No particular news spurred this but they will have derived some benefit from the ongoing issues with the disastrous automation project at Auckland, which saw a couple of container ships divert to Northport. Interestingly, the Whangarei to West Auckland rail-line is now operational again, meaning that containers only have to be trucked to Whangarei rather than the whole way down to Auckland. This may be a longer term positive but in the more immediate future, MMH stands to benefit from a likely relocation of the Devonport dry-dock, from a potential move of the Navy and from continued horticulture growth.

A final positive was our Oceania Healthcare (OCA, +9.0%) overweight. This was partially offset by underweights elsewhere in the retirement village sector which is benefitting from the booming housing market.

The largest headwind came from our underweight in Genesis Energy (GNE, +8.1%). The gentailer sector has been extraordinarily volatile since November thanks to the inclusion of Meridian Energy (MEL) and Contact Energy (CEN) in the S&P Global Clean Energy Index, to which a couple of massive energy ETF's are benchmarked. We view GNE as being expensive and a portion of its earnings as being unsustainable due to their thermal energy generation and share in the Kupe field. Other headwinds were very minor and included having no holdings in Heartland Bank (HGH, +12.0%) nor Trustpower (TPW, +11.1%). Our overweight in Tower (TWR, -2.8%) lagged slightly.

Matthew Goodson, CFA