

SALT

Salt NZ Dividend Appreciation Fund Fact Sheet – July 2020

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 July 2020

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	\$94 million
Inception Date	30 June 2015
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 July 2020

Application	1.6586
Redemption	1.6519

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%
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Fund Allocation at 31 July 2020

NZ shares	98.85%
Cash	1.15%

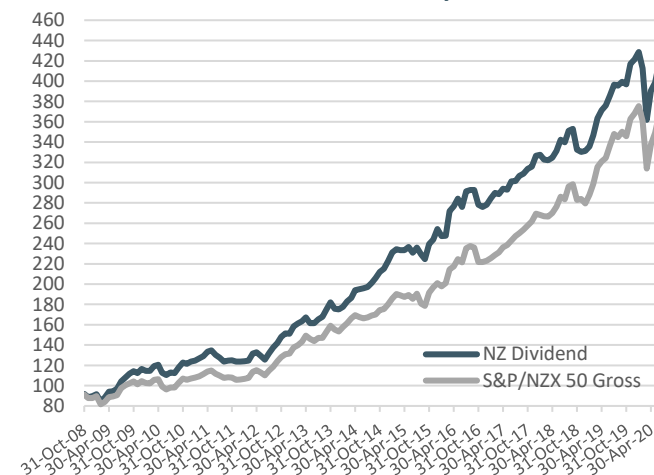
Fund Performance to 31 July 2020

Period	Fund Return*	Benchmark Return
1 month	2.64%	2.42%
3 months	10.03%	11.35%
6 months	0.22%	0.09%
1 year	8.35%	8.01%
2-year p.a.	12.40%	14.65%
3 years p.a.	12.51%	15.09%
5 years p.a.	12.72%	14.65%
7 years p.a.	14.60%	14.53%
10 years p.a.	14.29%	14.48%
Inception p.a.	13.10%	11.93%

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 July 2020*



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	Fisher & Paykel Healthcare
Turners Automotive	Ryman Healthcare
Marsden Maritime Holdings	Ports of Tauranga
Investore Property	Auckland International Airport
Spark	Pushpay Holdings

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

Despite dramatic rises in the number of Covid-19 cases, global equities rallied throughout July. US equities rose initially on reports from Pfizer that their vaccine trial had seen patients develop antibodies. The FDA subsequently granted Pfizer's vaccine "Fast Track" designation. Gilead Sciences added to the momentum after they reported its Remdesivir treatment appeared to cut mortality by 62% in some groups of patients. All of this gave investors hope of a light at the end of the tunnel. **The S&P500 Index rose +2.4% for the month in local currency terms.** European equities did not have a similar experience as any rally was hampered by conflicts over ECB policies to deal with the economic fallout caused by Covid-19. The Eurostoxx index finished down 1.1%. Asian equities were very mixed with the Chinese SHCOMP up +10.9% and the Japanese NKY down -2.6% in local currency terms.

Australian equities as measured by the S&P/ASX200 Index recorded a +0.5% rise over the July month. A positive start to the month was tempered by the announcement that Victoria would re-enter level 3 lockdowns due to Covid-19 outbreaks. Outperforming sectors were Materials (+5.8%) and IT (+4.6%), while the weakest sectors were Energy (-6.6%) and Healthcare (-3.9%).

In New Zealand, the S&P/NZX50 Gross Index posted its fourth straight positive monthly gain with a +2.4% return. This performance pushed the market into positive territory for the 2020 year (+2.05% year to date).

Salt NZ Dividend Fund Commentary

The Fund slightly outperformed the benchmark in what was a strong month in July rising by +2.74% compared to the +2.42% turned in by the S&P/NZX50 Gross Index.

The strongest positive contributor came from a continued rebound in the Turners (TRA, +10.4%) share price. They delivered a March 2020 year result that was clearly affected by Covid-19 at the very end of the period. Importantly, comments on recent trading suggest that the finance book is in reasonable shape and recent data is point to a strong recovery in car sales. Data also points to a limited number of imports and a lessening of the "car park" giving hope that margins will be strong.

Other notable contributions came from overweights in Investore Property (IPL, +8.2%); Spark (SPK, +8.1%) and Oceania Healthcare (OCA, +13.6%). Having no holding in the non-yielding Pushpay (PPH, -9.7%) also assisted although it had been a considerable headwind in earlier months.

There were no stand-out headwinds but the largest negative contribution was from being moderately underweight Mainfreight (MFT, +19.0%) which gave particularly upbeat AGM guidance at month-end. This was surprising against the backdrop of Covid-effected economies but may reflect an element of catch-up trading as well as the woes in Australia of their competitor, Toll Holdings. Our overweights in Tower (TWR, -4.0%) and Marsden Maritime (MMH, -6.8%) weighed as they fell on no particular news.



Matthew Goodson, CFA