Salt Capital Growth Fund Fact Sheet – December 2025

Manager Profile

Salt is an active fund manager. Our investment philosophy centres on the belief that share markets have characteristics that lead to market inefficiencies that can be exploited over time to deliver superior risk-adjusted returns.

Investment Strategy

The Fund aims to provide a total return (after fees and expenses but before tax) above the Reserve Bank of New Zealand's Consumer Price Index +5% benchmark on a rolling five-year basis. To achieve this, the Fund targets a diversified mix of growth and defensive assets, with a focus on securities with strong Environmental, Social and Governance credentials.

The Fund also aims to maximise its total return by outperforming, over the long term, the weighted average return of the market indices used to measure performance of the underlying funds/assets in which the Fund invests: the Reference Portfolio. Medium-term capital growth is prioritized above income in the fund, nevertheless, the allocation to both growth and yielding assets allows for both objectives to operate over the medium- and longer-term horizons.

Fund Facts at 31 December 2025

Benchmark	NZ CPI +5% over 5 years
Reference Portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	$64.44 million
Inception Date	15 September 2021
Portfolio Manager	Greg Fleming

Unit Price at 31 December 2025

Application	1.1880
Redemption	1.1831

Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category avge
Morningstar ESG score	18.19	23.00
Carbon Risk Score	6.92	6.56

Scores indicate risk level – a lower score reflects a lower ESG multi-factor risk level. ESG score as at 31.12.25. Sustainalytics provides issuer-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Score. Relevant Investment Mandate information is derived from the fund prospectus.

Investment Guidelines

Sector	Target	Range
Global Fixed Interest	15%	0% – 60%
Australasian Shares	25%	10% – 40%
International Shares	35%	20% - 50%
Global Listed Property	10%	0% – 25%
Global Listed Infrastructure	10%	0% – 25%
Alternative Diversifiers	0%	0% - 15%
Cash or cash equivalents	5%	0% – 30%

See "Salt Statement of Investment Policy and Objectives, 30 June 2022"

Fund Allocation at 31 December 2025

Global Fixed Interest	14%
Australasian Shares	27%
International Shares	33%
Global Listed Property	12%
Global Listed Infrastructure	10%
Alternative Diversifiers	1%
Cash or cash equivalents	3%
Asset allocation to Fixed Interest + Cash	**17%**

Fund Performance 31 December 2025

Period	Fund Return (before tax and fees)	Gross Reference Portfolio Return*
1 month	-0.23%	-0.15%
3 months	0.28%	1.97%
6 months	4.02%	8.74%
1 year	5.26%	9.71%
2 years p.a.	10.69%	13.30%
3 years p.a.	11.03%	12.56%
Since inception p.a.	5.52%	6.53%

Performance is before fees and PIE tax and is adjusted for imputation credits. Reference Portfolio return is also gross. * at 31 December.

Top Individual Holdings

Fisher & Paykel Healthcare	US 10Yr Note (CBT) Mar 26
NZD Cash	Microsoft
Auckland International Airport	SAP
US 5Yr Note (CBT) Mar 26	Contact Energy
Infratil	Alphabet A

The Top 10 holdings constituted 23.9% of the portfolio.

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Market Commentary

- Developed market equities saw solid returns in the final quarter of the year, rising +3.2% (in USD) over the 3-month period as the longest US Government shutdown in history concluded and the US Federal Reserve cut interest rates for a third consecutive time in December.
- The global aggregate bond index eked out a +0.2% (in USD) gain. While the Fed lowered interest rates over the quarter there is a high level of uncertainty about the scope for further cuts. More broadly, fiscal policy concerns continued to weigh on sovereign bond yields.
- Data releases resumed towards the end of the quarter as the 43-day US Government shutdown concluded. However, the reports on CPI inflation and labour market raised more questions than they answered given the less than fulsome component data. It won't be until we see data from early 2026 that any clear insights can be gleaned.
- The US Federal Reserve cut interest rates for a third consecutive time in December, taking the Fed funds rate to 3.75%. The December decision came with dissents in both directions, highlighting the divergence in views amongst committee participants and the lack of clarity about the outlook.
- The European Central Bank continued its "on hold" approach into the end of the year. In the Statement the ECB reiterated its data dependence and meeting-by-meeting approach. Both inflation and growth forecasts were tweaked higher, and President Lagarde said all options remain open in terms of the ECB's next move.
- In the UK softer inflation and a 5-year high in the unemployment rate was enough for a narrow decision to cut interest rate in the UK in December. The vote was 5:4 in favour. Governor Bailey was cautious in his signalling of further rate cuts to come, saying there was "more, limited space" for further cuts.
- The Bank of Japan raised interest rates for a second time in 2025 in December, taking the policy rate to 0.75%. The first hike of the year was way back in January, and the policy rate is now at its highest level in 30-years. With above target inflation looking increasingly entrenched, further interest rate normalisation appears likely in 2026.
- Activity data out of China continued to disappoint to the downside. Retail sales were up only +1.3% in the year to November and the contraction in fixed asset investment intensified. The recent Politburo meeting has set strengthening domestic demand as its top priority for 2026.
- Inflation data continued to surprise to the upside in Australia through the December quarter. This saw the RBA leave interest rates unchanged at both the November and December meetings, with comments from Governor Bullock at the December meeting indicating a tightening bias. September quarter GDP data surprised to the downside, but inflation indicators within the data (unit labour costs) were stronger than anticipated.
- The Reserve Bank of New Zealand cut the Official Cash Rate to 2.25% in a 5-1 vote in its final meeting of the year. While the projected interest rate track showed an easing bias, the Statement was taken as hawkish by the market, prompting new RBNZ Governor in her first few days in the job to articulate the bank's discomfort with the rise in interest rates post-Statement. The increase in rates was given extra impetus in the second half of December by much better activity data, in particular a +1.1% increase in Q3 GDP which was significantly higher than the RBNZ's forecast of +0.4%. The easing cycle is over and the next move in NZ interest rates is up.

Salt Capital Growth Fund Commentary

The Salt Capital Growth Fund slipped by -0.23% (before fees) in December and rose by 0.28% for three-month period (before fees). For the six-month period, the Growth Fund rose by +4.02% and for the year, it gained 5.26% (before fees) with the two-year annualised return at 10.7% p.a. (before fees.) The Fund logged a three-year annualised return of 11.0% p.a. (before fees) through to the end of December.

After leading up until June, the Fund's gross return remained well behind its Reference Index' gross return for the full year to December. A lag of the Reference Index return developed after April, due to stock selection in global equities, while outperformance by global property and bonds and by the NZ equities component has recently aided the fund's performance. However, our Quality focus in global shares has not been effective since the US Tariff pause, leading to 2025 underperformance. Global shares are the largest single asset class within the Capital Growth Fund, so an index underperformance drags.

Internationally, major central banks are communicating to investors that they remain growth-supportive, although rate reductions will not be automatic, as inflation risks remain. The final impact on consumer and producer prices from President Trump's tariff initiatives remains to be seen but do concern the Federal Reserve. The US central bank, the Bank of England, European Central Bank, the Bank of Canada, Swiss National Bank, the Reserve Bank of Australia and the Reserve Bank of NZ have all cut rates, and there is scope to continue in the US in 2026.

In 2025, there have been phases of market optimism about the demand outlook evolving into a benign outcome for the underlying economies. Markets have more recently reconsidered the scale of likely easings in the US. As trade deals became more tangible, the markets stabilised and recovered through June - December, however, much detail remains unclear. Tariff risks remain, though markets are now more used to aggressive US trade policies. Unforeseen inflation would change that.

Fixed interest value persists in segments, however, with credit spreads tight and a trend to higher Sovereign yields developing, we instituted a small underweight to Global Fixed income within the fund, at a 14% allocation. This lifts "Growth" asset types in the Fund to a dynamic allocation of 83%. Global equities' weighting was held at -2% underweight, at 33% of the Fund. We kept the overweight to global property to +2% and retained the Growth Fund's neutral position in global infrastructure. The Fund's Cash level was held at 3%.

Having gained more confidence that the NZ domestic economy is past the worst of its marked recent weakness, we moved into an overweight position in New Zealand equities, lifting the dynamic allocation to 27% in the fourth quarter and holding this exposure into 2026.

Domestic assets made up 31% of the Fund, reflecting our reduced preference for International Assets (69% of Growth Fund assets.) Our overweight position in global property was trimmed, given superior value and quality cashflows, as well as lower exposure to US trade / tariff risks, compared to other sectors. We see global listed property as still reasonably valued and showing scope for continued performance.

While the Global equities allocation is presently low (-2% u/w,) we see this as prudent, given the reliance on a narrow sector breadth and optimistic assumptions of Federal Reserve easing in 2026.

The key positive absolute contributions to returns in December month came from the Salt Core New Zealand Shares Fund, which added +0.11% for the period, and the Select Global Shares fund, which added +0.10%. This positive impact was offset by negative contributions averaging -0.25% from the Global Listed Property and Infrastructure Funds for the December month.

However, Global Shares continued lagging the Index, exerting a strong negative pressure on the Capital Growth Fund's performance compared to its Strategic Asset Allocation simulated return since May. That reflects the Fund's specific Quality-stock biases and fundamentals-based approach, which has excluded much participation in the momentum rally focussed on A.I. which developed since mid-April.

For the fourth quarter of 2025, the primary negative contributor to the Capital Growth Fund's total return was the Select Global Shares Fund, with an impact of -0.41%. This offset the positive contribution made by the Core New Zealand Shares Fund for the quarter, which was +0.38%, whilst Select Global Fixed Income contributed +0.15% for the period.

By not fully participating in the global AI componentry and media-led equity market rally for most of this year, the Select Global Shares fund has imposed a near-term opportunity loss on the Salt Capital Growth fund, in terms of its relative return level. The compounding absolute return level of the Capital Growth Fund remains above target, at +11.0% p.a. (gross) in the 3 years to 31 December.

. Salt Capital Growth Fund outlook

As the largest current individual Salt Capital Growth Fund component, the Salt Select Global Shares Fund's returns are of substantial influence on the Capital Growth Fund's overall return. The international equity fund posted a small positive absolute return over the year, although it substantially lagged its benchmark, for reasons which related to the dominance of large IT and Artificial Intelligence chip-related companies in recent months' global equity returns.

The chip-and consumer-facing technology bias to the global equity markets' returns profile has been a drag on the Capital Growth Fund in all seven months since May. Current optimism about the US share market's outlook accelerated into June - October, with a significant rush particularly by retail investors back into the equity market – particularly the big Tech names, and a wide variety of "meme" or story-stocks (many with limited profitability at present.) The Salt portfolio is currently slightly underweight to the USA, and suffered accordingly.

The Morgan Stanley view is that US markets are signalling confidence in economic growth, with cyclicals materially outperforming more defensive names amid enthusiasm around a GenAI-related capex boom and faster spending enabled by the recent tax bill. Equity markets have diverged from ISM manufacturing activity since 2022, despite historical correlation. Our reading of that is that, beyond discounting a bright outlook, dynamics reflect extreme concentration not trickling down to the broader economy. Rather, "Mag 7" capex is benefiting a small, self-contained ecosystem, suggesting that hopes for 2026 growth and profit reacceleration for the other "493" may disappoint, rewarding Quality.

The danger for investors is being "whip-sawed" by attempting to adjust too quickly to the blizzard of Trumpian disruptive announcements. We do not have much confidence that either the positive or the negative bombshells of the US Administration will settle in a coherent manner for some time, so prefer a prudent, slightly defensive portfolio positioning with Growth-asset exposure tilted in favour of Real assets (currently, via an overweight in Global Property.)

Conditions are set to remain volatile and unpredictable and could deteriorate, particularly if more import tariffs become reality, as the rhetoric has warmed up recently, and existing tariffs bite profits from now onwards. It seems that costs to US importers of Asian manufactures will assuredly be higher, with the degree of US CPI pass-through still uncertain. Margins will be under rising pressure into 2026.

The Salt Core NZ Shares fund is the second-largest Capital Growth Fund component. The New Zealand equity market has a defensive orientation, which has at times assisted in the relative resilience of domestic shares during the turbulence of recent years, and a fairly advantageous dividend yield. Further Reserve Bank easing has improved domestic business confidence, and the equity market has rallied from late-April, though investors still await any significant improvement in the earnings outlook. NZ shares are not immune to a potential additional negative sentiment shift from abroad.

However, our neutral strategy was upgraded to a small (+2%) overweighting, warranted by piecemeal domestic improvements, ahead of more recovery momentum into 2026.

Global Infrastructure and Global Property are also sizeable Capital Growth Fund components. Given the disruptions to broad global equities under the Trumpian tariff regime, listed Real Assets have proved resilient as 2025 has progressed. Most recently, Infrastructure has been the stronger segment, despite sticky long bond yields that have yet to provide substantial support by moving markedly lower for long. Over the twelve months to December, Global Listed Property gained 9.2% and Global Listed Infrastructure, +12.9% (gross returns).

We expect the Real Asset rebound to continue its momentum in 2026, as some valuations in these sectors are attractive. However, this will come in fits and starts, as interest rates remain volatile, and substantial super-stimulatory easing is not on the table from central banks. Risks arise on the US front, given policy swings affecting the fiscal outlook.

With elevated geopolitical risk and the very strong global equity market returns booked over the last 24 months, we prefer to be slightly defensive on broad global equities until greater clarity on economic policy, geopolitics, profits and the future interest rate track emerge in the US.

Presently we see continuing scope for instability, which argues for a continuing degree of caution, given market valuations that still lack widespread value and unpredictable political initiatives affecting the dominant US equity market. Tariff-driven price increases will become ever more visible in tightening company margins.

The slowing US labour market could worsen into a retail demand decline. It is uncertain how far the Federal Reserve can ease monetary conditions to combat this risk scenario. That could, in a negative scenario, rapidly undermine the last years' US equity market gains.