

SALT

Salt Capital Growth Fund Fact Sheet – October 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 October 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 October 2025

Application	1.1898
Redemption	1.1850

Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category ave
Morningstar ESG score	16.92	25.00

Scores indicate risk level – a lower score reflects a lower ESG multi-factor risk level. ESG score as at 30.09.25. 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 October 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 October 2025

Period	Fund Return (before tax and fees)	Gross Reference Portfolio Return*
1 month	0.21%	1.68%
3 months	2.91%	6.34%
6 months	7.44%	13.66%
1 year	7.27%	12.98%
2 years p.a.	15.05%	17.61%
3 years p.a.	11.01%	12.02%
Since inception p.a.	5.73%	6.73%

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

Top Individual Holdings

Fisher & Paykel Healthcare	Microsoft
NZD Cash	SAP
US 10Yr Note (CBT) Dec 25	US 5Yr Note (CBT) Dec 25
Auckland International Airport	Contact Energy
Infratil	Ebos Group

The Top 10 holdings constituted 23.6% of the portfolio.

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

Market Commentary

- Markets were mixed over October with developed market equities up +2.8% (in USD terms) over the month while the global aggregate bond index was down -0.3% (in USD). Highlights were initially rising followed by easing trade tensions between the US and China. Despite all the noise, we saw another strong US corporate earnings season.
- US-China trade tensions rose early in the month as China threatened controls on rare earth mineral exports. Later in the month President's Trump and Xi met and agreed to what is best described as a tactical truce in their trade conflict rather than a binding treaty. There is no signed deal, but there was a de-escalation tone to the meeting and channels for discussion have reopened.
- The US Federal Reserve cut interest rates by 25bp, taking the target range for the Fed funds rate to 3.75-4.00%. US inflation data continued to show modest pass through of tariffs into consumer prices, fuelling the debate about the relative risks in the US between higher inflation and the weaker labour market. This was highlighted with two dissenters to the interest rate decision, one who would have preferred a deeper cut and one who would have preferred no cut at all. Chairman Powell added a hawkish tone to proceedings by stating further interest rate cuts were far from a foregone conclusion.
- The European Central Bank left interest rates unchanged at their October meeting. They are firmly in wait-and-see mode, retaining their data dependent, meeting by meeting approach. The Statement focused less on risks to the outlook than in September as data releases (PMI, GDP) over the past two weeks have been more positive than expected, supporting the resilience-to-tariffs narrative. The ECB is clearly on hold for the foreseeable future.
- In Japan, Sanae Takaichi succeeded in becoming Japan's first female Prime Minister. She is a firm supporter of the reflationary principles of "Abenomics" and has long advocated higher government spending to boost Japan's growth rate and has been critical of the Bank of Japan's recent tightening bias. Encouragingly, during her LDP leadership campaign she also acknowledged the need for fiscal consolidation and pledged to respect the Bank of Japan's independence.
- China's share market benefitted from the extended trade truce. Economic data was also supportive with GDP data coming in better than expected, suggesting the government's goal of a calendar year GDP result of "close to 5%" will be achieved. The star emerging economy share market performance, however, was Argentina with a 64% gain in the month following the overwhelming victory of President Milei's party in the mid-term election.
- There was a soft tone to Australia's September month labour market data with the unemployment rate rising to a high for this cycle of 4.5%. That soft tone was overwhelmed later in the month by a significantly higher CPI print.

- In New Zealand the RBNZ cut the Official Cash Rate by 50bp, taking the Official Cash Rate to 2.5%. Activity data is improving, but in only very modest fashion. Markets priced in a further 25bp interest rate cut in November and around a 40% chance of another one in February.

Salt Capital Growth Fund Commentary

The Salt Capital Growth Fund rose by 0.21% (before fees) in October and by 2.91% for three-month period (before fees). For the six-month period, the Growth Fund rose by +7.44% and for the year, it gained 7.27% (before fees) with the two-year annualised return at 14.2% p.a. (before fees.) The Fund logged a three-year annualised return of 11.0% p.a. (before fees) through to the end of October.

After leading up until June, the Fund's gross return remained behind its Reference Index' gross return for the year to October. 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.

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 increased the scale of likely easings in the US. As trade deals became more tangible, the markets stabilised and recovered through June - October, 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 and the small overweight to selective bond exposure within the fund was retained, at a 16% allocation. This leaves "Growth" asset types in the Fund at a dynamic allocation of 82%. Global equities' weighting was held at -2% underweight, at 33% of the Fund. We kept the overweight to global property at +3% and retained the Growth Fund's neutral positions in New Zealand equities and in global infrastructure. Both strategies have been effective in recent months.

Domestic assets made up 28% of the Fund, reflecting our preference for International Assets (72% 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 property as still reasonably valued.

The key positive absolute contributions to returns in October came from the Salt Core NZ Share Fund fund which added +0.42% for the period, and the Select Global Fixed Income fund, which added +0.08%.

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 since May. In October month, the Global Shares fund component made the largest negative contribution to the monthly return, as -0.25%.

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.

Global Infrastructure subtracted -0.05%, and Global Listed Property, -0.07% in October month. The Carbon Fund also had a very minor negative impact with a -0.02% contribution in October.

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 positive absolute returns over the year to 31 October, 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 six 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.

The Morgan Stanley view is that US markets are signalling confidence in economic growth, with cyclical 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.

We remain cautious on the directions of Donald Trump in the US Presidency, supported by a Republican Senate majority, and its capacity to negatively impact US economic prospects in the years ahead. Policy moves in the post-inauguration period are informative, with putting the Fed under pressure, and erratic geopolitics, becoming main themes.

Conditions are thus set to remain volatile and unpredictable and could deteriorate, particularly if more and higher import tariffs become reality as the “pause on reciprocal tariffs” has expired, and more / higher tariffs can bite from now onwards. At the time of writing, many significant US trading partners have been informed they will be facing higher tariffs than many had assumed during the “pause”. It seems that costs to US importers of Asian manufactures will assuredly be higher, with the degree of US CPI pass-through still uncertain.

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 had been upgraded to a small 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 six months to October, Global Listed Property leads gross returns from Global Listed Infrastructure by just under 1%, though Infrastructure remains ahead over longer periods.

We expect the Real Asset rebound to continue its momentum in late 2025-2026, 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 yet on the table from central banks. Risks arise on the US front, given policy swings affecting the fiscal outlook. We trimmed our overweighting to Global Listed Property, to a 12% Fund position, 2% above the neutral strategic weighting.

Global Listed Infrastructure has performed well over the last year. The 12-month gross return of 8.8% was gratifying and we still support a substantial allocation to the sector within our diversified Growth portfolio. Infrastructure is currently held at a 10% neutral allocation.

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 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 are really only beginning, and 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.

Disclaimer: The information in this publication has been prepared from sources believed to be reliable and accurate at the time of preparation but Salt Funds Management Limited, its officers, directors, agents, and employees make no representation or warranty as to the accuracy, completeness, or currency of any of the information contained within, and disclaim any liability for loss which may be incurred by any person relying on this publication. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. This publication is provided for general information purposes only. The information in this publication should not be regarded as personalised advice and does not consider an individual investor's financial situation or goals. An individual investor should, before making any investment decisions, seek professional advice. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.