Income Fund: asset allocation change notification

Global listed infrastructure equities have performed well in providing stable income plus capital growth through H1 2026 and we consider their current scope less compelling, in terms of generating premium dividend income, as their yield moved below 3%. Their rally has been supported by the recent increased focus on energy and AI infrastructure but has not been supported by any sustained decline in US longer bond yields. We doubt, given recent developments, that lower Treasury yields are ahead, removing a typical performance support for infrastructure. We prefer to allocate in favour of good quality Fixed Income assets.

- **Accordingly, we lower our global listed infrastructure position by -5%, to -7% underweight vs. SAA.**
- **We raise our global bonds allocation to a +3% overweighting, reflecting improved prospective income.**

Dynamic Asset Allocation change – Salt Income Fund

Salt's Income Fund (SIF) aims to provide a fixed gross quarterly income in excess of 6-month bank term deposit rates, along with a positive return on capital on a rolling three-year basis, by investing in a diversified mix of income-generating and capital growth assets. Over the last 3 years to 30 June, this has been achieved with quarterly distributions and capital growth variables fulfilling expectations by returning 9.3% p.a. (gross.) That compares with a gross 6-m TD return of 5.2% p.a. since 31 August 2022. However, as at 30 June 2026, the since- inception gross Income Fund return has exceeded the Strategic benchmark-weighted index (reference portfolio) by 1.3% p.a. and has consistently exceeded the 6-month term deposit rate return (cumulative) over the last three years.

We believe scope for Income Fund distributions to exceed TD rates remains intact, but that a shift toward more Fixed Income asset exposure within the Fund is favoured at present. Real yields on global bonds have recovered to an acceptable positive level, whilst the Portfolio's Global Bond average credit rating (S&P "A" as at 30 June) gives comfort that the underlying securities pose very low default risks. The Fund's moderate capital growth objective also remains viable, given potential for cyclical improvement in NZ equities, as 2026 shows.

After an eighteen-month period in which the yields on international bonds fluctuated, reflecting market predictions of a gradual fall in future inflation rates, the upward momentum in bond yields has taken over since the US//Iran war began. Domestic rate-sensitive assets, and global credit have scope to outperform global infrastructure into 2027, given that much of the anticipated capital gain on infrastructure shares has occurred.

The Salt Income Fund's distribution rate for the August quarterly distribution is confirmed and unchanged at 1.125 c/unit.

Adjustment to Asset Allocations implemented 27 July 2026

Sector	SAA Target	Range	Current allocation	Active vs. SAA	change	DAA tilt
Global Fixed Interest	35%	0% – 60%	38%	+3%	+5%	o/weight
Australasian Shares	30%	15% – 45%	33.5%	+3.5%		o/weight
Global / NZ Listed Property	15%	0% – 35%	18 %	+2.5%		o/weight
Global Listed Infrastructure	15%	0% – 35%	8%	-7.0%	-5%	u/weight
Cash or cash equivalents	5%	0% – 20%	3%	-2.0%		u/weight

Source: Salt Funds Management

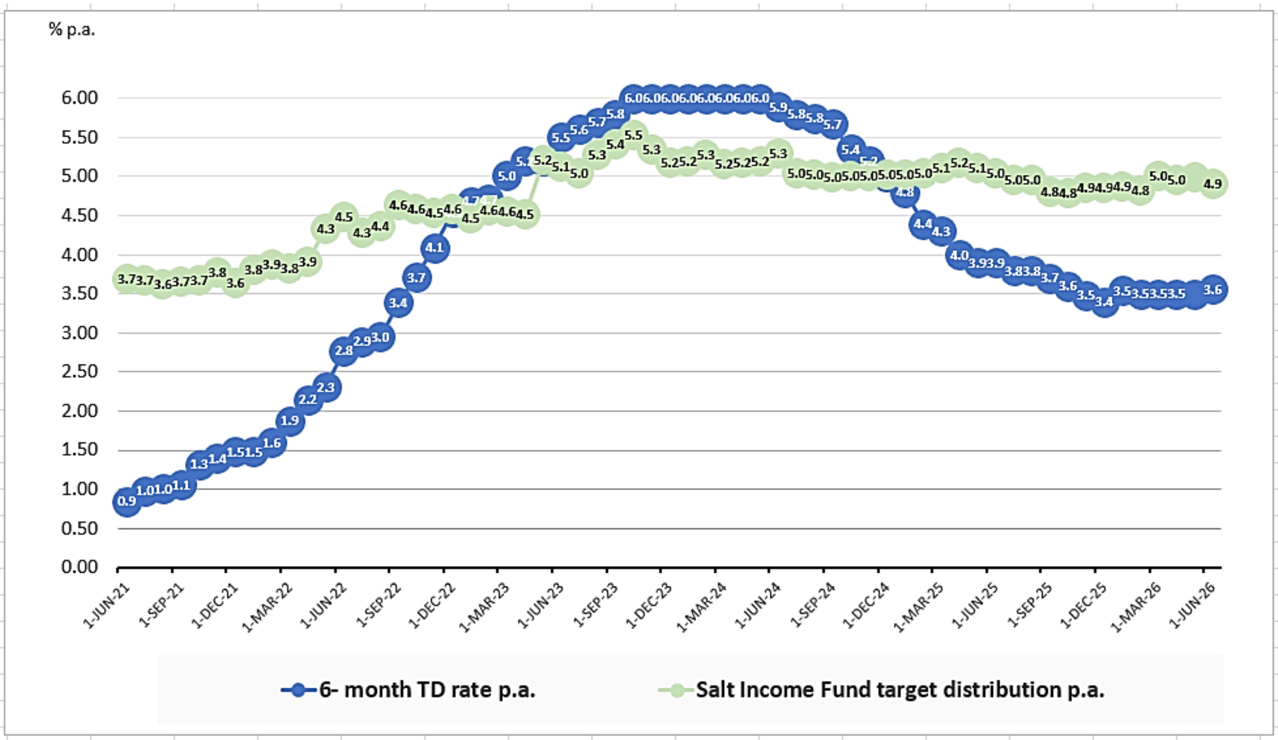
Dynamic Asset Allocation change rationale

- On a 12-month view, the expected total return from Global Bonds is now sufficient to move to a small overweighting (from being -2% underweight, previously.) This change reflects higher global bond yields. Carefully-selected and actively-managed international bonds are valuable yield sources for NZ investors.

- Conversely, the prospective annual yield on global listed infrastructure has fallen below 3% (to 2.8%, as at 30 June) after the strong rally in global infrastructure equity prices.
- That supports gradually raising international fixed income exposure, although not excessively, given the continuing risks to yield levels from geopolitical disruption.
- Our more positive view on global bonds is expressed as an increase of +5% in the active allocation, to 38% of the Salt Income Fund. This dynamic shift puts Fixed Income 3% above its Neutral SAA weighting for Bonds.

Stable and superior quarterly distributions in excess of 6-month TD rates

On average, the Income Fund's gross distributions have been 4.7% p.a. versus the 4.0% offered TD rates since inception.



Greg Fleming

Portfolio Manager

28 July 2026