

SALT

Salt Income 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.

Fund Name Change

As of 13 June, the Salt Sustainable Income Fund was renamed the Salt Income Fund. There is no change to investment disciplines or approach; however, this aligns the fund better with current global regulatory trends.

Investment Strategy

The Fund aims to provide a gross fixed quarterly income (after fees and expenses but before tax) in excess of bank deposit rates, along with a positive return on capital on a rolling three-year basis. Deposit rates are proxied by the NZ Bank Bill Index.

A Reference Portfolio is provided, medium-term outperformance of which is a secondary objective, consisting of the weighted sum of components.

The Fund targets a diversified mix of growth and defensive assets, with a focus on securities with reliable income generation. The Fund's strategy is to invest in a quality asset mix to provide regular, sustainable income and a positive return on capital over the medium-term. The value of the fund will fluctuate in line with listed market developments, but the primary focus is enhanced income and thus, shorter-term variability is an expected feature. Income is prioritized above capital gain 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	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	\$40.43 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 01.12.25	1.125 cents per unit per Quarter / 4.9% per annum

Unit Price at 31 December 2025

Application	0.9284
Redemption	0.9246

Investment Guidelines

Sector	Target	Range
Global Fixed Interest	35%	0% – 60%
Australasian Shares	30%	15% – 45%
Global Listed Property	15%	0% – 35%
Global Listed Infrastructure	15%	0% – 35%
Cash or cash equivalents	5%	0% – 20%

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

Fund Allocation at 31 December 2025

Global Fixed Interest	34.0%
Australasian Shares	32.5%
Global Listed Property	17.5%
Global Listed Infrastructure	12.0%
Cash or cash equivalents	4.0%

Asset allocation to global Fixed Interest + Cash **38.0%**

Fund Performance 31 December 2025

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	-0.18%	-0.62%
3 months	1.09%	0.69%
6 months	7.03%	4.03%
1 year	10.45%	5.32%
2 years p.a.	9.95%	6.43%
3 years p.a.	8.73%	5.96%
Since inception p.a.	4.34%	2.32%

Performance is before fees and tax, adjusted for imputation credits. * at 31 Dec.

Top Individual Holdings

US 5r Note (CBT) Mar 26	Auckland International Airport
NZD Cash	Goodman Property Trust
Fisher & Paykel Healthcare	Infratil
US 10Yr Note (CBT) Mar 26	Kiwi Property Group
Precinct Properties NZ	UST 0% 29/01/2026

The Top 10 holdings constituted 35% 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

- 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 Income Fund Commentary

The Income Fund was little changed in December month, with a return of -0.18% in the month and 1.09% for the three-month period (before fees / tax), which generated a one-year return of 10.45% (before fees / tax.) Over the three-year period, the Fund's gross annualised return was 8.73% p.a. (before fees / tax) which was ahead of its Reference Index for all rolling periods.

Among the Income Fund's components, the only positive contributor in the December month was the NZ Dividend Appreciation Fund, which contributed 0.23% to the month's return. For the fourth quarter of 2025, the Salt NZ Dividend Appreciation Fund also made the largest contribution, at +0.99% while the Select Global Fixed Income Fund added +0.31%.

The Enhanced Property Fund made a negative quarterly contribution of -0.58%, after a prior period of strength. Meanwhile, the Salt Global Listed Infrastructure Fund added 0.08%, for the final three months of 2025.

Markets continue to focus on inflation and trade policy risks affecting the pace of central bank interest rate reductions around the world, with the current negative trade politics likely to keep policy rate cuts incremental. However, recent US labour market weakness has sparked Federal Reserve response, with a precautionary -0.25% rate reduction at the mid-September meeting and another in October, and one further move in December, through the Committee is divided at present on the scope for added easing in 2026. We would anticipate continuing positive impact on the listed Real Asset and Bond returns within the portfolio.

With the US tariff impact still to be fully gauged, more US policy easings may be paused pending better data confidence, given percolating inflationary factors. Domestically, a near-concluded easing path from the RBNZ still assists NZ equity assets as 2026 gets underway and should allow additional catch-up with global asset returns. Diversification of income sources remains very effective, as not all asset yields are equally defensible.

The Fund's prospective yield is more than 1% above current 6-month TD rates, which were again reduced (to an average 3.5%) in the course of Q4 2025. While TD rates will now stabilise, we expect little scope for increases.

Salt Income Fund outlook

As inflation progressively confirms stabilisation (albeit at a higher level than prevailed before Covid) we expect component asset classes to improve further. Several key global economies are transitioning to slow growth, but the specific asset mix in this fund should not be negatively impacted, as valuations are not extended and quality is high overall.

Volatility across markets is ever-present with sentiment somewhat hostage to US political dynamics and global frictions. We expect value gains in interest-rate sensitive assets to continue through early-2026. However, this will continue to be a tentative and at times interrupted process.

We believe bond yields adjusted sufficiently (via a volatile and uncertain route in the last 24 months) for us to have re-instituted a small underweight bond positioning within the Income Fund. We consider inflation risk now poses a reduced danger to the capital valuations of bond portfolios. However, yields and credit spreads could potentially lift and widen somewhat, as there is mixed global appetite for debt investing now.

The allocation to bonds is held at -1% below the neutral 35% SAA weight. Due to fiscal risks, particularly surrounding tax policies of the Trump administration, we would move back overweight only incrementally. Bond positions need careful selection, and active management, as credit spreads are back at near-record lows.

The NZ economy is still straining to achieve sustained momentum. The Reserve Bank of New Zealand in early September “un-paused” the domestic OCR easing cycle, and doubled the dosage of the easing medicine in October with a -0.5% cut, lowering the Official Cash Rate to 2.5%, and followed up with another -0.25% cut, to 2.25%. This may prove to be the terminal rate in New Zealand for this cycle.

This gives scope for improved NZ asset returns, supporting shares, with the domestic economy beginning to show a little self-sustaining recovery impetus. Income yields received into the Fund remain attractive by historical standards as domestic 6-m Term Deposit rates fell quickly to just above 3.5% p.a. currently. We expect no reversal in this trend within the next six months. This underscores the attractiveness of the yield stability demonstrated by the Salt Income Fund.

We anticipate the longer-term capital growth strategies within the Salt Income Fund will support performance, as inflation and domestic growth conditions are improving. However, there is still a soft economic period to traverse en route to that outcome in New Zealand. Hence, the sourcing of Fund income from a globally-diversified set of stable yielding securities. Yields on global fixed interest have improved, reflecting risk assessments by bond investors globally, but spreads over sovereign yields remain tight.

As economies respond to a degree of stimulus with asset revaluations, we expect beneficial capital growth impacts to flow through. This positive portfolio role will likely be a key feature of total returns into 2026, although any US economic weak patch can potentially disrupt it, in the short term.

The volatility in global markets in response to the Trump April “Liberation Day” tariff announcements, as well as the vigorous “relief bounce” since the August deadline passed, have had less immediate impact on solid, income-producing securities such as those we favour in this Fund, than on more growth-sensitive asset types, and we expect that to continue. Global risks continue, from the Trump Administration’s impact on confidence.

As the primary objective of the Salt Income Fund is to invest in quality sustainable yield payers, minimizing short-term capital price fluctuation is secondary. Market volatility allows us to acquire high quality and defensible dividend-paying assets for the Fund at better prices.

Distribution of 1.125 cents per unit / quarter retained

Stable component asset yields enable us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which was paid out / reinvested in mid-November.

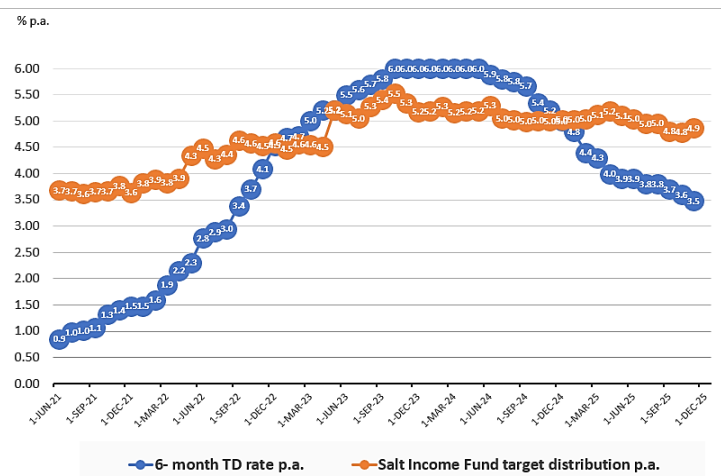
This distribution will also be retained for the February 2026 distribution.

The silver lining in the bond market’s repricing is that the yield received from selective bond investments shifted into a higher range and that supports the Income Fund’s forward distribution path. This is characteristic of a transition into a mid-level interest rate regime which may endure for years, rather than months, ahead. It is crucial to note that the Income level from equity dividends and bond coupons received into the fund has been commensurately stable through periods of market turbulence. Global credit spreads widened after the US tariff shock, but then tightened and remain historically low, limiting potential for revaluation upside from Investment Grade and lower-rated bonds.

The fund’s modelled income received from coupons and dividends remains aligned with its prospective distribution yield. We regard this as prudent, in a still-uncertain environment. The Real Asset components of Infrastructure and Property are well-suited to the immediate period ahead, as central bank policy rates progressively stabilise at lower levels. Defensive merit should continue to be asserted in coming months through renewed demand for these specific “Real Asset” equity types, along with the sustainable dividend-payers in the broader Australasian market.

Finally, the lowering of the NZ Official Cash Rate has substantially reduced the Term Deposit rates being offered by domestic banks, and we anticipate the downtrend in the indicative benchmark of the NZ Bank Bill rate and the 6-month Term Deposit rates to stabilise, with unappetising term deposit rates on offer across a range of maturities from the banks into early 2026. While bank interest rate reductions have likely paused, we see very limited scope for any meaningful increases in TD rates in the first half of 2025.

Income Fund’s forward distribution rate vs. Term Deposits



Source: Salt, RBNZ (data to 31 December 2025)

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