Salt Income Fund Fact Sheet – July 2025

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in actively seeking to maximise returns while managing the risks of the investment. Salt examines investments for their environmental and social impact as well as the quality of their governance.

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 July 2025

Benchmark	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	$44.02 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 31.07.25	1.125 cents per unit per Quarter / 5.0% per annum

Unit Price at 31 July 2025

Application	0.9104
Redemption	0.9067

Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category avge
Morningstar ESG score	20.14	21.00

Scores indicate risk level – a lower score reflects a lower ESG multi-factor risk level. ESG score as at 31.07.25. 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	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 July 2025

Global Fixed Interest	35.0%
Australasian Shares	30.0%
Global Listed Property	17.0%
Global Listed Infrastructure	17.0%
Cash or cash equivalents	1.0%
Asset allocation to Fixed Interest + Cash	**36.0%**

Fund Performance 31 July 2025

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	1.87%	0.61%
3 months	6.39%	3.26%
6 months	4.70%	1.63%
1 year	9.19%	4.40%
2 years p.a.	7.74%	5.41%
3 years p.a.	5.55%	3.13%
Since inception p.a.	3.56%	1.74%

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

Top Individual Holdings as at 31 July 2025

Fisher & Paykel Healthcare	Infratil
US 10Yr Note (CBT) Sep 25	Precinct Properties NZ
US 5Yr Note (CBT) Sep 25	Kiwi Property Group
Auckland International Airport	Ebos Group
Goodman Property Trust	Contact Energy

Market Commentary

- Highlights during the month of July included a further postponement in the finalisation of President Trump's reciprocal tariffs. Several agreements were announced during the month and culminated in the release of the president's "further modification" of all tariffs at the end of the month. Also, the One Big Beautiful Bill Act (OBBBA) passed through congress and was more stimulatory than the initial version of the bill.
- The reduction of policy uncertainty saw developed market equities up 1.3% (in USD) in the month, marking an all-time high. Continued concerns about fiscal sustainability were a headwind for bond markets over the month with the global aggregate bond index losing 1.5% (in USD).
- In the US, second quarter earnings reports showed companies generally beating consensus earnings and revenue growth. This indicates the recent political turmoil and policy flip-flopping has thus far not impacted earnings.
- The US June CPI report came in better than expected, though early signs of the impact of tariffs are beginning to emerge. The Federal Reserve left interest rates unchanged, waiting for further clarity on the tariff impact on consumer prices. The political pressure for Chair Jay Powell to cut rates is intense.
- In Europe the June CPI came in at 2% y/y in June. After eight interest rate cuts, the European Central Bank left rates unchanged in July with ECB President Christine Lagarde saying they were well placed to wait and see the impact of tariffs on activity across the region.
- Japan was struck with fresh political uncertainty during the month as the ruling LDP lost its majority in the upper house elections. This has raised concerns about the political commitment to fiscal consolidation. Inflation remains well above target and with the final tariff rate being set at a lower than expected 15%, mitigating some of the downside risk to the economy, markets are starting to price in the possibility of another hike in interest rates this year.
- Recent activity indicators in China have come in better than expected. Industrial production was up 6.8% in the year to June and second quarter GDP came in above the 5% target at 5.3%. Liquidity problems also appear to be easing with growth key monetary aggregates improving.
- Against unanimous expectations from economists and a 25bp cut being almost fully priced (96%) by interest rate markets, the Reserve Bank of Australia left interest rate unchanged in July. The bank still articulated a bias to reduce interest rates with markets expecting the cut delivered at the August 12 meeting.
- Likewise in New Zealand the RBNZ left the Official Cash Rate unchanged in July, though after 225bp of cuts, this was widely expected. Ongoing soft activity data has markets expecting further interest rate reductions, though we are close to the bottom of the cycle.

Salt Income Fund Commentary

The Income Fund rose in July month, with a return of 1.87% in the month and a strong 6.39% for the three-month period (before fees / tax), which generated a one-year return to 9.19% (before fees / tax.) The fund's gross return is ahead of its Reference Index' gross return for all rolling periods.

Among the Income Fund's components, the strongest contributors in July were domestically-based, as the local market remained resilient to international tariff tensions. The Salt Enhanced Property Fund's was the strongest component, with a July month contribution of +0.78%. This was followed by the Salt NZ Dividend Appreciation Fund's +0.64% contribution to the overall monthly Income Fund return. The Global Infrastructure Fund contributed 0.26% while the Salt Global Fixed Income Opportunities Fund made a positive returns contribution of +0.0.08% in July. The Global Property Fund's performance contribution was flat for the month.

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 very incremental. However, recent US labour market weakness has sparked some Federal Reserve comment which may foreshadow a precautionary rate reduction before year-end. If so, we would anticipate positive impact on the listed Real Asset and Bond returns within the portfolio.

However, with the US tariff impact still to be fully gauged, substantial US policy easings may be deferred to 2026, given percolating inflationary factors. Domestically, a moderated easing path from the RBNZ still assists NZ equity assets as 2025 progresses and allows 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 around 1% above 6-month TD rates, which were again reduced in the course of July.

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, as global central banks (with the exception of the US Federal Reserve, for a little longer) progress their interest rate easings.

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 late-2025. However, this will continue to be a tentative and at times interrupted process.

US inflation dynamics have stabilised, but Tariff impositions endanger the inflation outlooks for producers and consumers alike. Central bank rate cuts are continuing this year, with the Federal Reserve expected by market pricing to deliver another -0.75% commencing in September, as the economy and labour markets slow. However, the Trump Tariff impacts must be factored into inflation pressures once cost increases begin to filter through, and the Federal Reserve is hesitant to blindly endorse 2025 cuts.

We believe bond yields adjusted sufficiently (via a volatile and uncertain route in the last 24 months) for us to have instituted a neutral bond positioning within the Income Fund. We consider inflation risk now poses a reduced danger to the capital valuations of bond portfolios.

The allocation to bonds is held at the neutral 35% SAA weight. Due to fiscal risks, particularly surrounding tax policies of the Trump administration, we would move overweight only incrementally. Recent US economic data suggests increased downside risks to growth and upside risks to inflation for the rest of 2025. 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 July paused the domestic OCR easing cycle, after -2.25% of reductions to 3.25%, although some in markets are looking for another -0.25% cut before year-end, to 3.0%.

Even without further immediate domestic rate cuts, key domestic Income Fund components have responded very well in mid-2025 to signs that some stronger growth momentum can return to the NZ economy by 2026.

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 slightly below 4%. We expect no reversal in this trend within the next year.

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.

When economies respond to a degree of stimulus with asset revaluations, we expect more beneficial capital growth impacts to flow through. This positive portfolio role will likely be a key feature of total returns in the remainder of 2025.

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 are now arising mainly from the Trump Administration's impact on confidence. Federal Reserve rate reductions now could progress incrementally, after a vigilant pause, from late-2025 or early in 2026.

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 is paid out / reinvested in August.

The silver lining in the bond market's repricing is that the yield received from 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.

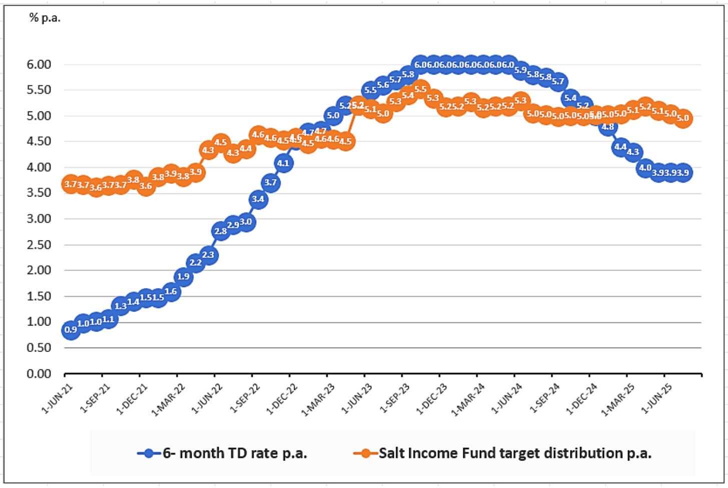
It is crucial to note that the Income level from equity dividends and bond coupons received into the fund has been commensurately stable through periods of market turbulence. This trend exemplifies the incremental return of some "risk premia" into certain asset classes, which had previously been unappetizing compared with risk-free assets. Global credit spreads widened after the April US tariff shock, but are still historically tight, limiting potential revaluation upside from both 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 stablise 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 persist, though at a reduced rate of decline.

NZ 6-month offered TD rates have moved below 4.0% as expected, but seeing the OCR and bank-offered rates move even further downward in the latter part of 2025 is entirely foreseeable. This underscores the attractiveness of the yield stability demonstrated by the Salt Income Fund.

Income Fund forward distribution rate vs. TDs



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