Salt Capital Growth Fund Fact Sheet – August 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 Growth Fund was renamed the Salt Capital Growth 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 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 August 2025

Benchmark	NZ CPI +5% over 5 years
Reference Portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	$62.97 million
Inception Date	15 September 2021
Portfolio Manager	Greg Fleming

Unit Price at 31 August 2025

Application	1.1715
Redemption	1.1668

Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category avge
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 31.08.25. 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 August 2025

Global Fixed Interest	16%
Australasian Shares	25%
International Shares	33%
Global Listed Property	13%
Global Listed Infrastructure	10%
Alternative Diversifiers	1%
Cash or cash equivalents	2%
Asset allocation to Fixed Interest + Cash	**18%**

Fund Performance 31 August 2025

Period	Fund Return (before tax and fees)	Gross Reference Portfolio Return*
1 month	1.06%	1.68%
3 months	2.51%	5.22%
6 months	1.16%	3.71%
1 year	7.70%	10.35%
2 years p.a.	10.94%	12.02%
3 years p.a.	9.07%	9.67%
Since inception p.a.	5.51%	5.83%

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

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Top Individual Holdings as at 31 August 2025

Fisher & Paykel Healthcare	US 10Yr Note (CBT) Dec 25
Auckland International Airport	VISA
Infratil	Contact Energy
Microsoft	Ebos Group
SAP	L'Oreal

Market Commentary

- August saw good returns across most major asset classes. The US second quarter earnings season continued with corporate earnings beating subdued expectations in aggregate. The biggest market moving event was the release of weaker-than-expected July US labour market data.
- In this environment developed market equities rose 2.6% over the month while the global aggregate bond index rose 1.5%, both in US dollar terms.
- In the US the weak labour market data was followed by a dovish speech by Federal Reserve Chair Jerome Powell at the annual Economic Symposium in Jackson Hole, in which he indicated the balance of risks had shifted from upside tariff-induced risks to inflation to downside risks in the labour market. This saw interest rate markets increasing bets on the likelihood of a cut in US interest rates in September.
- Lack of progress on fiscal consolidation continues to heap pressure on politicians across Europe. In France the Prime Minister has called a no confidence vote for September 8th as he struggles to build support for budget cuts. At the same time, activity data across the region is proving resilient as the composite PMI rose to 51.1 in August.
- Japan's TOPIX was the best performing market in local currency terms over the month, helped by the trade deal secured with the US at the end of July that was on more favourable terms than earlier indications. Also, the economy grew by a better-than-expect +0.3% in the June quarter.
- China's share market benefitted from a further extension to their fragile trade truce until November. The government also announced its intention to triple chip supply by 2026, supporting the technology sector. Economic activity was generally soft, supporting calls for further stimulus.
- The Reserve Bank of Australia cut its cash rate by 25bps to 3.6%, as widely anticipated. Governor Bullock intimated a further two cuts were still to come, and the Bank's forecasts were predicated on such an outcome. As always, the labour market will hold the key to how much further interest rates can be reduced.
- Activity data in New Zealand continues to improve, though at a glacial pace. As was widely expected, the RBNZ cut the OCR by 25bps to 3.0%, but the dovish policy pivot was a surprise. Interest rate projections were revised down by 30bps and now incorporate two further 25bp cuts. The RBNZ has clearly become perturbed about the ongoing softness in the data.

Salt Capital Growth Fund Commentary

The Salt Capital Growth Fund rose by 1.06% (before fees) in August and by 2.51% for three-month period (before fees). For the six-month period, the Growth Fund was fairly flat (+1.16%) but for the year, it gained 7.70% (before fees) with the two-year annualised return at 10.94% p.a. (before fees.) The Fund logged a three-year annualised return of 9.07% p.a. (before fees) through to the end of August.

After leading up until June, the Fund's gross return remained behind its Reference Index' gross return for the year to August. 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 some 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, though some key nations' banks are now pausing.

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 - August, however, much detail remains unclear. Tariff shock 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 retained, given superior value and quality cashflows, as well as lower exposure to US trade / tariff risks, compared to other sectors. This may be trimmed slightly for Q4 2025.

The key positive absolute contributions to returns in August month came from the Salt Global Listed Property fund which added +0.38% for the period, and the Select Global Shares fund, which added +0.23% in August month. However, Global Shares continued lagging the Index.

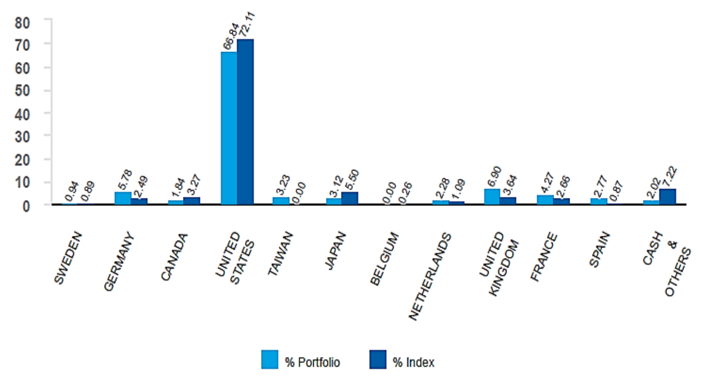
Global Infrastructure added 0.10%, and Core NZ shares contributed 0.09% in August. The Carbon Fund had a minor negative impact with a -0.02% contribution in August. Global Fixed Income's contribution was a moderate positive, accounting for 0.19% the Capital Growth Fund's 1.06% gross monthly return. In a reversal of the beneficial Q1 2025 dynamic, the main drag on the Capital Growth Fund's recent benchmark-relative return continued to come from the Select Global Shares fund. That reflects the Fund's specific Quality-stock biases.

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 logged strong absolute returns over the year to 31 August, although it substantially lagged its benchmark, for reasons which related to the dominance of large IT and Artificial Intelligence chip-related companies in global equity returns. That chip-and consumer-facing technology bias has been a drag on the Capital Growth Fund in the months since April. A weak performance by US Health Care also supressed the recent contribution from the Select Global Shares fund to Salt Capital Growth Fund returns.

Current optimism about the US share market's outlook accelerated into June - August, 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.

COUNTRY ALLOCATION



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.

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.

It is fair to say that Trump's policy coherence level is deteriorating, and many are perplexed at the low level of economic understanding shown by key Administration officials. Nevertheless, market participants are still "clutching at straws" with respect to the putatively good news items that the Administration wants to deliver, e.g. on trade deals.

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 August onward. At the time of writing, many significant US trading partners have been informed they will be facing higher tariffs from August 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, but this is still not properly supported by significant improvement in the earnings outlook. NZ shares are not immune to a potential additional negative sentiment shift from abroad. However, our neutral strategy now has been warranted by piecemeal domestic improvement, 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, Property has been the stronger segment, despite sticky long bond yields that have yet to provide substantial support by moving markedly lower for long.

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 held our trimmed overweighting to Global Listed Property, at a 13% Fund position, 3% above the neutral strategic weighting.

Global Listed Infrastructure has performed extremely well over the last year. The double-digit level of return seen last year is less probable going forward, though 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.