Salt Select Global Shares 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.

Fund Name Change

As of 13 June, the Salt Sustainable Global Shares Fund was renamed the Salt Select Global Shares Fund. There is no change to investment disciplines or approach; however, this aligns the Fund better with current global regulatory and market trends.*

Investment Strategy

To achieve the Fund's investment objectives, the Fund targets a portfolio of global companies with high total return potential and high Quality & Environmental, Social and Governance (ESG) factor scores.

The strategy seeks to provide attractive long-term returns with less long-term volatility than the broader market.

Fund Facts at 31 August 2025

Fund Assets	$105.06 million
Inception Date	12 July 2021
Underlying Manager	Morgan Stanley Investment Management * Effective 28 April 2025 the underlying Morgan Stanley Global Sustain Strategy was renamed the Global Quality Select Strategy. There is no change to the Strategy's investment philosophy and process.

Unit Price at 31 August 2025

Application	1.4503
Redemption	1.4444

Investment Guidelines

The guidelines for the Sustainable Global Shares Fund are:

Global Equities	95% – 100%
Cash	0% – 5%

Target investment Mix

The target investment mix for the Salt Sustainable Global Shares Fund:

Global equities	100%

Fund Allocations at 31 August 2025

Global equities	98.0%
Cash & sundry items	2.0%

Fund Performance to 31 August 2025

Period	Fund Return	Benchmark Return
1 month	0.82%	2.66%
3 months	0.72%	9.70%
6 months	-3.51%	5.12%
1 year	12.11%	22.67%
2 year p.a.	13.57%	20.53%
3 year p.a.	15.39%	20.02%
Since inception p.a.	10.76%	14.05%

Performance is before fees and tax and adjusted for imputation credits.
Benchmark (MSCI World Index in NZD) performance is gross.

Fund holdings

Top 10 holdings	
Microsoft (US)	Arthur J Gallagher (US)
SAP (DE)	Thermo Fisher Scientific (US)
VISA (US)	Coca-Cola (US)
L'Oreal (FR)	Taiwan Semiconductor (TW)
Procter & Gamble (US)	Alphabet (US)

Source: MSIM, data as at 31 August 2025.
The Top 10 Holdings represented 41.2% of the total portfolio.

The Portfolio's carbon footprint, measured as weighted average carbon intensity (WACI) was 79% lower than MSCI AC World Index.[A]

Market Review

- 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.

Portfolio Review

- In August, the Portfolio returned +0.82% (before fees,) while the MSCI World Net Index returned +2.66%. The Portfolio has returned +1.17% for the year-to-date (YTD) before fees, versus +8.03% for the index.
- For the month, the largest contributors to absolute performance were driven by stock specifics. Alphabet continued to benefit from strong results released in late July, reporting +13% year-over-year (YoY) revenue growth (constant currency), and strength across segments, notably a +12% YoY growth in its core search business[1]
- Texas Instruments, benefited from the rotation within tech out of Software exposed names and into artificial intelligence (AI) infrastructure, including Semiconductors.
- The third largest contributor was L'Oréal, on the back of robust results released in late July, growing sales and profits while shrugging off tariff concerns and reporting a record operating margin[2]
- Other top contributors included AutoZone, which continues to benefit from solid third quarter results, including +5% organic sales growth[3] and sustained demand for auto parts, and Thermo Fisher, which rose on the back of better than expected second quarter results[4] which exceeded consensus expectations.
- August saw a spasm of fear within the market that generative artificial intelligence (GenAI) may severely disrupt multiple profitable businesses, most notably in Software, which was down 5% (in U.S. dollar [USD] terms) in the month.
- As a result, Software provided three of the five largest absolute detractors, namely SAP, Microsoft and Roper Technologies, although all three are generally delivering strongly in 2025. SAP and Microsoft's large impact on the portfolio is partly attributable to their position sizes, given they are the two top holdings.
- The market's fear appears to be that AI will "eat" Software, given the emergence of AI tools that are able to write code, supposedly weakening Software companies' moats. While this may be the case for the simplest of applications, our view is that companies such as SAP and Microsoft are so much more than software, given their entrenched position within corporate ecosystems, the security requirements, the data moats and the sheer complexity of their multi-year development.
- As such we remain confident in their ability to continue compounding and actually benefit from GenAI. The other two leading detractors, RELX and Intercontinental Exchange, while outside the Information Technology sector, were also affected by GenAI fears, specifically around whether their data truly is proprietary or could be replicated by AI, and the companies' ability to monetise it.
- As with the Software stocks above, the companies are performing well, and our view is that their moats will prove GenAI-proof.
- It was these GenAI fears that led to the Portfolio's underperformance in the month. It showed up as negative stock selection as it particularly affected some of the sub-sectors held in the Portfolio, most notably within Information Technology and our data-rich Financials and Industrials holdings.
- Looking at Information Technology, the Software and Services element, where our tech holdings are concentrated, was down 4% as a result of GenAI fears, while Semiconductors were flat and Hardware actually rose 9% on the back of the Apple tariff relief. For Financials, the exchanges and data providers we own were down due to the fears of data replication by GenAI, while Banks had a strong month.
- There was a similar story within Industrials, as the Commercial and Professional Services subsector, notably RELX as mentioned above, lagged Capital Goods on similar fears. Our view is that the companies we own are effective data-rich "walled gardens", more likely to benefit from GenAI than be victims.
- Sector allocation was roughly neutral, as much of the variation was by industry within a sector rather than between sectors.

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Market Review & Outlook:

Global equities continued their positive run in August, with the MSCI World Index up 2.6% in USD (2.1% in local currency and +2.66% in NZD). A softer dollar offered modest FX tailwinds while a mixed macro backdrop steered performance more broadly. Stable inflation prints and nascent signs of labour market cooling intensified conviction around a possible rate cut by the U.S. Federal Reserve in September, strengthening the bid for risk assets, and driving a risk-on rally in equity markets. Early August tariff tremors quickly faded into renewed optimism that cyclical exposures would benefit from policy and trade stabilisation.

This was seen in sector performance within cyclical sectors such as Materials (+7%), Consumer Discretionary (+4%) and Energy (+4%), which all outperformed the market. The traditionally defensive Utilities (-1%) was the only sector reporting a negative return while Industrials (+1%) and Information Technology (+0%) lagged the market, albeit in positive territory, held back by Commercial and Professional Services and Software, respectively, for the reasons discussed above.

In terms of regions, the top performing region was Asia ex-China, driven by Japan (+7% in USD, +4% in local currency) and Singapore (+7%, +6%). Europe (+3%, +1%) also outperformed the U.S. (+2%) during the month, in large part due to the concentration of the U.S. market in technology names.

Within Europe, Southern Europe outperformed the core European countries such as France (+1%, -1%) and Germany (+1%, -1%), due to the strength of the Financials sector in countries such as Spain (+7%, +4%) and Italy (+5%, +3%).

Outlook (MSIM view)

As discussed in previous commentaries, various data points suggest equity markets are flashing amber with both earnings and multiples extended, while still rising. Said another way, equity markets are pricing in very high expectations. Our long tenured team is also acutely aware of how painful it can be when these elevated expectations reset.

Taking data from the last 150 years, we appear to be in our fourth "New Tech" era, and historically each has driven extreme valuation mania. Comparisons to previous episodes of extreme valuation, such as the dot-com bubble, highlight the risk of significant overall market drawdowns when market sentiment shifts (anything from a 15% to 50% drawdown).

The most exposed areas suffer more heavily, while underappreciated segments get their turn in the sun; Consumer Staples in the dot-com crash, and potentially supposed "AI victims" this time, be they Software, data-rich Financials, or Industrials.

While there are similarities to the overexuberance seen during the Internet "New Tech" trigger, we also see notable differences today: earnings momentum remains strong for one thing, especially within the top 10 S&P 500 constituents, and current price-to-earnings ratios, though high, are not extreme, provided earnings and margins keep coming through.

Another critical difference, today's capital expenditure for anticipated earnings in leading technology firms is being self-funded from operational cash flow, allowing for continued investment and even potential for further increases in expenditure without dependence on external funding. This dynamic underpins the prevailing momentum trade and suggests that markets to date have been arguably rationally exuberant and, provided earnings continue to materialise, may continue the current trend for some time.

However, uncertainty remains. A regime shift in long-dated bonds and a corresponding increase in discount rates could override even strong earnings trajectories, threatening returns despite sound fundamentals. Market optimism surrounding Generative AI may prove fragile and a classic Gartner Hype Cycle could play out, leading to a shift from the period of "Inflated Expectations" to the "Trough of Disillusionment" which, theory suggests, may lead to a sharp contraction in valuations.

Alternatively, the market's current disregard for the economic impact of tariffs, now at century-high effective rates, may introduce further vulnerability should the market begin paying attention to this policy shift. It is worth remembering that while growth is positive, the macroeconomic outlook remains modest, with U.S. growth expected around 1.5% and EAFE markets closer to 1%.

In a market where uncertainty abounds, we remain focused on companies we believe offer credible earnings per share growth, driven by revenue growth over margin improvement. A high-quality portfolio at a reasonable valuation (and reasonable relative valuation) should deliver resilient earnings not reliant on continued high expectations to deliver performance.

Notes

A. Source: Trucost. WACI is calculated using Scope 1 & 2 emissions per $m of company revenue. The term carbon refers to greenhouse gas (GHG) emissions, measured in metrics tonnes of carbon dioxide equivalent (CO_2e) emissions. Our data provider's methodology follows the GHG protocol and includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and Nitrogen Trifluoride (NF_3), calculated in metric tonnes of CO_2 equivalent. Some carbon/carbon equivalents data may be estimated by the data provider. Data excludes cash.

1. Source: Alphabet Q2 2025 Earnings, July 23, 2025
2. Source: L'Oréal Half-Year Results, July 29, 2025
3. AutoZone Q3 2025 Earnings, May 27, 2025
4. Source: Zoetis Q2 2025 Earnings, August 5, 2025