

SALT

Salt Select Global Shares Fund Fact Sheet –September 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 30 September 2025

Fund Assets	\$108.02 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 30 September 2025

Application	1.4589
Redemption	1.4474

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 30 September 2025

Global equities	98.2%
Cash & sundry items	1.8%

Fund Performance to 30 September 2025

Period	Fund Return	Benchmark Return
1 month	0.70%	4.89%
3 months	2.52%	12.15%
6 months	0.42%	16.63%
1 year	12.60%	28.50%
2 year p.a.	17.57%	26.76%
3 year p.a.	16.37%	22.64%
Since inception p.a.	10.71%	15.04%

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)	Alphabet (US)
SAP (DE)	Arthur J Gallagher (US)
Relx (UK)	Procter & Gamble (US)
Taiwan Semiconductor (TW)	Coca Cola (US)
VISA (US)	ADP (US)

Source: MSIM, data as at 30 September 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 78% lower than MSCI AC World Index.^A

Market Review

- The September quarter saw positive returns across most global asset classes, fuelled by heightened expectations of interest rate cuts in the United States and an easing of trade tensions. However, bond markets were volatile through the quarter as fiscal sustainability concerns also became a focus.
- In the US, weak employment growth coincided with slower than expected pass-through of higher tariffs into consumer prices, resulting in a cautious 25bp cut in the Fed funds rate by the FOMC, the first rate cut this year. However, with the unemployment rate still low and a core PCE inflation rate that is knocking on the door of 3%, "Fed-speak" turned more cautious later in the quarter.
- In Europe, the economy is proving more resilient than expected to the changing global trade environment. The ECB left interest rates on hold at its most recent meeting, and with latest inflation data ticking higher, appear likely to keep interest rates unchanged for the time being.
- Fiscal sustainability issues are proving politically challenging everywhere, but France was the key focus over the quarter. In a continuation of the political instability that has dogged President Macron since his ill-fated decision to hold legislative elections last year, Prime Minister Francois Bayrou's government lost a

confidence vote in the French National Assembly in early September. This was quickly followed by a sovereign credit rating downgrade for France by Fitch Ratings.

- In Japan, equity markets continued to benefit from the better-than-expected trade deal with the US. However, there was a sell-off in JGB's, fuelled by Japan's own political instability and a hawkish September meeting of the Bank of Japan.
- 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 followed its August interest rate cut with a hold in September. Data since the August meeting has shown recovering growth, ongoing tightness in the labour market and upside surprises in most recent inflation data. The RBA appears to us to be on hold for the foreseeable future.
- In New Zealand, the RBNZ's dovish pivot at its August meeting was justified by a weaker than expected June quarter GDP result. Markets have reacted by pricing in even further interest rate cuts. We expect two further 25bp cuts in the Official Cash Rate for a low of 2.5%. Risks are skewed to the downside.

Portfolio Review

- In September, the Portfolio returned +0.70% (Gross/NZD), while the MSCI World Net Index returned +4.89%. The Portfolio returned +2.52% for the third quarter (Q3) versus +12.15% for the index, while for the year-to-date (YTD), the Portfolio has delivered +1.87% versus the MSCI World's +13.3%.
- The current environment has been challenging for our quality investing philosophy. It is important to remember that the Global Quality Select's strategy in Select Global Shares Fund is focused on owning the world's most resilient companies and has historically offered lower volatility of earnings growth than the index over the long term.
- This resilient profile is currently at variance to a market led by artificial intelligence (AI) conviction, high expectations generally and seemingly little concern for absolute risk.
- We have high conviction in the quality of the earnings streams of the companies we own, and their resilience should the market regime change.
- Among the **largest contributors** to absolute performance during Q3 were the cloud hyperscalers, Alphabet and Microsoft, which have benefitted from accelerating enterprise demand for AI infrastructure and significant increases in cloud-related revenue, solid earnings from their cash generative dominant platforms, and in addition in the case of Alphabet, improving advertising trends supporting strong revenue growth in its Search and YouTube segments.

- Alphabet also benefited from the favourable resolution of a key anti-monopoly regulatory case in the U.S.
- Essential AI providers TSMC and ASML, both bottlenecks in the Semis value chain, also had an impressive quarter, both up ~20% (in U.S. dollar [USD] terms). TSMC has continued to benefit from robust demand for advanced chips particularly among its major clients, while ASML has been bolstered by strong demand for its extreme ultraviolet (EUV) lithography machines.
- Elsewhere, Thermo Fisher rallied double digits after a challenged first half, as investor sentiment refocused on encouraging indications for their pipeline following management's adjustment to near-term organic growth targets.
- Q3 was a strong quarter for the index overall, however the market's nervousness about generative AI (GenAI) disruption in the latter half applied a broad-brush concern to a wide range of data rich businesses, without regard to important distinctions in industries and their underlying companies. This is apparent when looking at stock selection and relative subsector performance.
- In Information Technology, we are skewed to Software and Services (+2% (in USD terms)) rather than Semis (+17%) or Hardware (+22%). In Financials, we hold Payments (-5%), Exchanges and Data Providers (-7%), instead of Banks (returned double digits). In Industrials, we are skewed to Professional Services (-7%) which significantly lagged Capital Goods (+7%).
- Sector allocation was also negative, primarily due to the overweight to Consumer Staples as the sector lagged the index amid the market's strong rally.
- SAP, Constellation Software, and FactSet, which were among the **largest absolute detractors** due to GenAI anxiety. Accenture also detracted in Q3, with softer than expected guidance despite decent 4Q results. Encouragingly, management offered some reassurance on the pricing impact of GenAI, which they expect to be "expansionary" rather than "deflationary", although this is something we continue to monitor. Given the uncertainty, we have reduced the Accenture position. Finally, Haleon was weaker on the back of an earnings downgrade as U.S. distributors destocked, although we maintain conviction in the long-term thesis on the back of healthy end demand.
- In terms of relative performance, the impact of GenAI disruption fears is apparent when looking at stock selection and subsector performance. In Information Technology, we are skewed to Software and Services which was up just +2% (in USD terms) in Q3, while Semis delivered a massive +17% and Hardware an even higher +22%. In Financials, the Payments industry fell 5% and the Exchanges and Data Providers dropped 7%, while Banks (not held in the Portfolio) returned double digits. In Industrials, we are skewed to Professional Services (-7%) which significantly lagged Capital Goods (+7%). Sector allocation was also negative, primarily due to the overweight to Consumer Staples as the sector lagged the index amid the market's strong rally.

Disclaimer: The information in this publication has been prepared from sources believed to be reliable and accurate at the time of preparation but Salt Funds Management Limited, its officers, directors, agents, and employees make no representation or warranty as to the accuracy, completeness, or currency of any of the information contained within, and disclaim any liability for loss which may be incurred by any person relying on this publication. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. This publication is provided for general information purposes only. The information in this publication should not be regarded as personalised advice and does not take into account an individual investor's financial situation or goals. An individual investor should, before making any investment decisions, seek professional advice. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

- The impact of the Portfolio's subsector exposure is also evident in the YTD performance. Since the mid-April lows, the market has been led by cyclical industries within sectors which the Portfolio has either minimal or no exposure to, such as Semis, Banks, and Capital Goods, while those areas we do favour, described above, have significantly lagged the market. Although we would expect to trail the index to some extent in a strong up market given our defensive return profile, the Portfolio's sector mix, coupled with some stock specific mistakes most notably within Health Care, have impacted the degree of the relative underperformance.
- We have been decisive about taking action where our investment thesis has been challenged and have high conviction in the ability of the current Portfolio to compound at double digits over time through the combination of high single digit earnings per share (EPS) growth and dividends, backed by strong top-line growth.

Portfolio Activity

- During the third quarter, we took advantage of the indiscriminate sell-off of data rich businesses and resultant opportunities to add new high-quality names to the portfolio within segments with attractive growth tailwinds and to existing names where we retain conviction and believe selling was overdone. Where conviction was reduced or uncertainty remained, we reduced, and in some cases exited, positions.
- **We initiated three new positions in the quarter, Synopsys, MSCI, and Uber, and made three final sales: CDW, Jack Henry, and Oracle.**
- We initiated a position in MSCI, a high quality compounder that delivers mission-critical investment products, data and analytics to global financial institutions. MSCI is known for its high retention rates (above 95%), strong recurring revenue (75%), and robust cash generation. The share price pullback early in the quarter offered an attractive entry point for a company we believe can offer steady margin expansion and earnings growth, fuelled by ongoing revenue increases and operating leverage.
- We added Synopsys to the portfolio, a market leader in electronic design automation software (EDA) holding 35% share, with revenues linked to semiconductor research and development budgets that tend to be more resilient than the broader semiconductor cycle. We took advantage of the recent share price weakness, which had corrected by 30%, to build a position. The share price fall was due to issues in their relatively small intellectual property segment (20% of revenues) linked to U.S. export restrictions and Intel. We believe the company's long-term outlook remains supported by structural demand, robust momentum in EDA (50% of revenues) and integration benefits from the Ansys acquisition (30% of revenues).
- We also initiated a position in Uber, recognising its multi-year transformation into a profitable, capital-light business with robust network effects, strong financial performance, and expanding margins. Uber's most recent results saw bookings, revenues, adjusted EBITDA and free cash flow all increasing.

Turning to the Sells, we exited Jack Henry and CDW due to increased uncertainty surrounding their medium-term outlooks on account of evolving competitive environments, taking the valuation opportunity to upgrade to higher quality ideas.

We also sold our position in Oracle during the quarter following an impressive 40% plus return since purchase. Our initial investment was based on optimism around Oracle Cloud Infrastructure (OCI) establishing a profitable niche amongst the hyperscalers. The quarter saw accelerating revenue estimates on its GenAI infrastructure business, most notably with the \$300 billion GenAI infrastructure deal with OpenAI. This sharp shift in business model, and resultant collapse in free cash flow given the required investment, made us nervous, along with the increasingly stretched valuation, so we remained disciplined and sold the position.

As usual, the additions and reductions during Q3 were mainly driven by valuation and stock moves. We trimmed a number of strong performers where we felt there was valuation risk, including L'Oréal, Alphabet and Booking Holdings.

We also reduced Microsoft and Visa to optimise position sizes. We recycled this capital into names where we saw valuation opportunity, such as Procter & Gamble, Abbott Laboratories and Keyence, along with the new purchases. We switched some of our Aon holdings into AJ Gallagher, given relative price moves, while also mildly reducing our exposure to the industry.

During September, we also added selectively to names where we felt the market's indiscriminate selling was overdone, such as ADP, SAP, RELX, and Roper, while reducing exposure to names where uncertainty on their medium-term outlook was increased, such as Accenture.

Market Quarterly Review & Outlook: (MSIM View)

Global equity markets rallied strongly in Q3, with the MSCI World Index up +7% and YTD returns at +17%.

Market valuations are extended, with the S&P 500 trading at 23x forward earnings with double-digit earnings growth forecast.

In the US, the S&P's Quality Factor is currently seeing its most acute relative underperformance against the S&P500 in a decade. Every other dip of similar magnitude has been followed by multiple years of outperformance.

The post-April rally has been led by cyclical sectors, while defensive and quality-focused names have lagged markedly.

- There is a "tug of war" between bullish expectations for AI-driven profitability and concerns about slower enterprise adoption or macro headwinds. See MSIM's feature article below: "The Tug of War."
- Risks include elevated policy uncertainty, high bond yields, and a modest macroeconomic outlook (US growth forecast at 1.5–2% for 2025/26).

Disclaimer: The information in this publication has been prepared from sources believed to be reliable and accurate at the time of preparation but Salt Funds Management Limited, its officers, directors, agents, and employees make no representation or warranty as to the accuracy, completeness, or currency of any of the information contained within, and disclaim any liability for loss which may be incurred by any person relying on this publication. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. This publication is provided for general information purposes only. The information in this publication should not be regarded as personalised advice and does not take into account an individual investor's financial situation or goals. An individual investor should, before making any investment decisions, seek professional advice. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

- With the emergence of GenAI, we are now in the fourth major technology era in 140 years. As history and the Gartner Hype Cycle show, early optimism typically gives way to a phase of disillusionment before sustainable productivity gains emerge. I.e. there is a risk of significant market drawdowns if expectations reset.
- While technology may indeed be transformational, we are yet to see real corporate value realized from it.
- In Q3, we believe the market's indiscriminate selling of data-rich businesses overlooks important differences in business models on GenAI disruption fears.
- This portfolio is trading at the highest free cashflow discount in a decade. As the market differentiates true winners from those at risk, we expect greater dispersion in returns. We have used current mispricing to upgrade quality and increase exposure to resilient compounders where AI fears are overstated.
- Overall, the portfolio remains focused on defensive compounders, AI beneficiaries, and data-rich businesses with resilient top-line growth and attractive free cash flow profiles.

The Tug of War – MSIM Perspective

We spoke last quarter about the sharp reversal in market direction and leadership following the market trough post the "Liberation Day" tariff announcements in early-April. Q3 saw a continuation of that upward trajectory, with global equity markets returning +7%, taking YTD MSCI World Index performance to an impressive +17%, despite numerous remaining uncertainties in terms of policy and geopolitics. The MSCI World Index is now on over 20x forward earnings, with the S&P 500 Index at 23x.

These extended multiples are on forward earnings that are meant to grow double-digit for the next two years on the back of margins improving even further from record highs. Indeed, when we consider what is priced into today's historically high market valuations, the market is betting on a continuation of the vigorous AI boom and a macro backdrop strong enough to deliver the double-digit earnings growth, with confidence that easing policy and AI-linked productivity will keep margins elevated. In short, expectations are high.

Yet, the record gold price reminds us that uncertainties linger. This 6-month growth-tilted and cyclical rally leaves us with unprecedented underperformance of quality against the broader index, as demonstrated by considering the performance of the S&P 500 Quality vs S&P 500 Index. We have only ever seen quality underperform to this degree in the run up to the TMT bubble burst.

In the past, periods where quality has significantly underperformed have frequently been followed by a prolonged period of meaningful outperformance of quality vs the broader market.

We see a tug of war within markets, between the bull argument that AI will be visibly transformational to corporate profitability in the near term and/or the U.S. economy sharply accelerates, and the bear argument where these high expectations are not met. The bear scenario may come from the scaled enterprise adoption of GenAI taking longer than expected, raising anxieties about the return on the hyperscalers' massive investments or the macro not being strong enough to justify the double-digit earnings growth expectations.

Our long-tenured team is also acutely aware of how painful it can be when elevated expectations reset downwards. Taking data from the last 150 years, the market appears to be in its fourth "New Tech" era, with the associated extreme valuation, and the S&P 500 CAPE over two standard deviations above trend.

Comparisons to the three previous episodes of extreme valuation, in the 1900s, the 1920s and most recently 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 on the way down, while underappreciated segments get their turn in the sun; Consumer Staples in the dot-com crash, and potentially the supposed "AI victims" this time, be they in Software, or in data-rich Financials and Industrials.

While there are similarities to the over-exuberance seen during the Internet "New Tech" era, we do see notable differences today: the companies at the centre of the boom are earning real money, and their earnings momentum remains strong, while their current price-to-earnings ratios, though high, are not remotely extreme compared with 1999. Another critical difference is that today's massive hyperscaler capital expenditure is largely being self-funded from operational cash flow, allowing for continued and even expanded investment with limited dependence on external funding.

However, uncertainty remains. There is a paradox currently at the core of the GenAI boom. It has garnered an unprecedented mind share amongst C-suites for a new technology and the potential is clear to anyone who has used it...but the scale adoption and value realisation amongst corporates has been very limited.

This could drive a classic Gartner Hype Cycle, with a shift from the period of "Inflated Expectations" to the "Trough of Disillusionment" as implementation proves hard and drawn out, even if it is eventually successful and transformative. In addition, the macro position is unclear given the high levels of policy uncertainty, not least around the eventual effect of tariffs, and worldwide geopolitical risks.

It is worth remembering that while growth is positive, the macroeconomic outlook remains modest, with U.S. growth expected around 1.5-2% for both 2025 and 2026 and EAFE markets closer to 1%.

During the quarter markets became increasingly preoccupied with the question of whether AI will disrupt, in particular data-centred businesses. The initial reaction has been quite broad-based, with investors indiscriminately punishing nearly all companies perceived to have exposure to data regardless of differences in business models, competitive positioning, or adaptability. We believe this blanket approach by the market is wrong as it ignores important differences between the industries and companies involved. We carefully examine

Disclaimer: The information in this publication has been prepared from sources believed to be reliable and accurate at the time of preparation but Salt Funds Management Limited, its officers, directors, agents, and employees make no representation or warranty as to the accuracy, completeness, or currency of any of the information contained within, and disclaim any liability for loss which may be incurred by any person relying on this publication. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. This publication is provided for general information purposes only. The information in this publication should not be regarded as personalised advice and does not take into account an individual investor's financial situation or goals. An individual investor should, before making any investment decisions, seek professional advice. Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

both the potential vulnerability to AI disruption and the revenue and cost opportunities on a case-by-case basis.

There are some general principles behind our company specific analysis. In our view, those data rich businesses that avoid disruption are likely to control proprietary datasets that cannot be imitated by GenAI bots scraping the internet, or be deeply embedded into clients' workflows, or even core to whole ecosystems.

On the positive side, they should have the financial and technical capacity to integrate AI into their offerings in a way that enhances client value, and also utilise the technology to remove significant costs, be it in client relations or coding. In the case of RELX, held in our portfolios, we are already seeing GenAI technology combined with its proprietary data sets accelerating revenue growth in its legal division. SAP, another holding, is protected from disruption by being deeply embedded into mission-critical operations, and by its well-established domain and industry expertise. Its Joule copilots and agents are potential sources of extra revenue, while GenAI innovation could speed clients' lucrative transition to S/4 Hana, its next generation enterprise resource planning system. It is precisely these sort of high quality, data rich businesses we seek to own in our portfolio.

As the debate matures and the market develops a clearer view of which companies are truly vulnerable to disruption and which can harness AI as a competitive advantage, we expect to see much greater dispersion in returns across the sector. In the meantime, we see the broad-brush approach applied by the market as an opportunity to selectively upgrade some of our holdings in which some uncertainty exists on the impact of AI – where compounding babies have been chunked out with the disrupted bathwater.

In a market where investor certainty meets a very uncertain reality and valuations are stretched, we remain focused on companies we believe offer credible earnings per share growth, driven by strong revenue growth, which is a more reliable source of long-term compounding than supposed margin improvement. Our Portfolio is set to deliver resilient topline growth close to twice that of the index and is available at a free cash flow discount to the market not seen over the last decade, a very attractive proposition, particularly in relative terms.

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 metric tonnes of carbon dioxide equivalent (CO2e) emissions. Our data provider's methodology follows the GHG protocol and includes carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and Nitrogen Trifluoride (NF3), calculated in metric tonnes of CO2 equivalent. Some carbon/carbon equivalents data may be estimated by the data provider. Data excludes cash.