

SALT

Salt Income Fund Fact Sheet – September 2026

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 June 2025, 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 30 September 2026

Benchmark	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	\$43.38 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 01.10.26	1.125 cents per unit per Quarter / 5.06% per annum

Unit Price at 30 September 2026

Application	0.8922
Redemption	0.8885

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 30 September 2026

Global Fixed Interest	38.0%
Australasian Shares	33.5%
Global Listed Property	17.5%
Global Listed Infrastructure	8.0%
Cash or cash equivalents	3.0%

Asset allocation to Global Fixed Interest + Cash: 41.0%

Fund Performance 30 September 2026

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	-1.76%	-2.31%
3 months	-1.43%	-2.49%
6 months	2.19%	1.10%
1 year	1.83%	1.70%
2 years p.a.	5.79%	2.95%
3 years p.a.	9.00%	6.84%
5 years p.a.	3.36%	1.69%
Since inception p.a.	3.87%	2.19%

Performance is before fees and tax, adjusted for imputation credits. * at 30 Sept.

Top Individual Holdings

Fisher & Paykel Healthcare Ltd.	Precinct Properties NZ Ltd.
NZD Cash	Contact Energy Ltd.
Infratil Ltd.	Kiwi Property Group Ltd.
Auckland International Airport Ltd.	Canadian Govt. Bond 1/5/2028
Goodman NZ Ltd. & Goodman Property Services Ltd.	NZ Govt. Bond 0.25% 15/05/2028

As at 30 September 2026.

The Top 10 individual holdings make up 32.3% of the Income Fund's total holdings.

SALT FUNDS MANAGEMENT

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Market Commentary

- Global financial markets navigated another challenging quarter, with resilient economic growth and strong corporate earnings supporting equity markets despite renewed geopolitical tensions, higher energy prices and rising interest rates. Global equities ultimately posted modest gains over the quarter, although September proved more difficult as bond yields rose sharply and investors became increasingly concerned about inflation.
- Geopolitics remained an important influence. Tensions in the Middle East escalated again late in the quarter, pushing oil prices sharply higher and adding to inflation concerns. Trade tensions also remained elevated, including renewed friction between the US and Canada, reinforcing the view that geopolitical and trade fragmentation are becoming more permanent features of the investment landscape.
- The US economy continued to outperform expectations, supported by resilient consumer spending and strong business investment, particularly in AI-related infrastructure. Corporate earnings remained a key source of support for equities, although investors became more selective about where the eventual returns from substantial AI investment will accrue.
- Monetary policy moved back towards the centre of the market debate. The Federal Reserve raised interest rates in September as persistent inflation and resilient economic activity reduced the case for maintaining easier policy settings. Chair Kevin Warsh's move away from traditional forward guidance also increased uncertainty around the future path of interest rates.
- Bond markets had a difficult quarter. Government bond yields rose sharply across most developed economies as investors reassessed the outlook for inflation and monetary policy. Longer-term yields also reflected growing concerns around fiscal deficits, heavy government borrowing requirements and rising term premia.
- European and Japanese markets also faced higher interest rates during the quarter. The European Central Bank tightened policy as inflation remained persistent, while the Bank of Japan continued its gradual normalisation of monetary policy. Japanese equities nevertheless performed strongly, supported by healthy corporate earnings and ongoing improvements in corporate governance.
- China's economy remained comparatively subdued, with weak domestic demand and continued challenges in the property sector offsetting stronger export and technology-related activity. Policymakers announced further support measures during the quarter as they continued to manage the economy's transition towards a slower but more sustainable growth rate.

- Australia ended the quarter with another increase in the cash rate as persistent inflation prompted the Reserve Bank to tighten monetary policy further. However, signs of economic softness became increasingly apparent, including weaker business conditions and falling house prices. The key question is how much further tightening will be required before the RBA is confident that slower demand will deliver the inflation outcome it is seeking.
- New Zealand also saw monetary policy tightened during the quarter, with the RBNZ increasing the OCR as it began moving policy back towards a more neutral setting. Economic activity remained relatively resilient despite the impact of higher energy prices, with GDP managing a small increase in the June quarter and earlier data revised higher. Strong construction activity provided support, although elevated oil prices and a still-soft labour market suggest the recovery is likely to remain uneven.

Salt Income Fund Commentary

The Income Fund was slightly negative (declining -1.4% before fees) in the third quarter, with a modest rolling annual return of +1.8% (before fees) which was 0.1% ahead of its reference portfolio. In the two-year period to 30 September, the Fund returned +5.8% p.a. (before fees / tax – which was 2.8% p.a. ahead of its Reference Index. Over the three-year period, the Fund's gross annualised return was 9.0% p.a. (before fees / tax) remaining ahead of its Reference Index for all rolling periods beyond three months. The distribution rate remained unchanged for the quarter.

Among the Income Fund's components, the strongest positive contributor in the third quarter, was the Salt NZ Dividend Appreciation Fund which contributed +0.30% to the three month's return. The Salt Select Global Fixed Income Fund was weakest over the quarter, making a -1.03% negative impact, while the Salt Global Listed Property Fund detracted -0.18% and the Salt Global Listed Infrastructure Fund (-0.39% quarterly contribution) also reflected a weaker period for global interest rates impacting on real assets, given energy price swings and associated inflation concerns. This also affected the Salt Enhanced Property Fund, which can be sensitive to higher government bond yields as a yielding asset, and it made a negative contribution of -0.50% in the third quarter of 2026.

Markets continue to focus on inflation, instability in the Gulf, and trade policy risks affecting the pace of central bank interest rate adjustments around the world, with the current negative global politics likely to keep policy rate increases incremental. The US Federal Reserve's Open Market Committee is divided at present on the scope of any additional rate adjustments in late 2026, moving the Fed Funds Rate upwards in September. This was the first US Federal Reserve rate increase in 3 years, and has stoked expectations of higher policy rates and yields ahead.

Inflation drivers deteriorated in recent US data, and risks will continue to be present given the impact of oil and energy prices on general price level. We would anticipate an interruption of supportive impacts on the listed Real Asset and Bond returns within the portfolio from investors seeking out greater stability and surety, although periods of weakness in sovereign bond markets do impact the interest-rate sensitive equities at times.

Salt Income Fund outlook

We expect component asset classes to improve once the present intensive inflation-concern period fades somewhat: probably, in early-2027. Several key global economies are transitioning to slower growth, but the specific asset mix in this fund should not be negatively impacted for any extended period, as valuations are not extended and quality is high overall. Bond positions need careful selection, and active management, as credit spreads moved up from near-record lows in September. However, the Select Global Fixed Income Fund component has held up well against rising global sovereign bond yields, outperforming the Global Aggregate in the third quarter and for the 2026 year-to-date.

Volatility across markets is ever-present with sentiment somewhat hostage to US political dynamics and global frictions. We expect value gains in inflation-sensitive assets to continue into 2027. However, this will continue to be a tentative and at times, interrupted process. The countdown to the important US Congressional Mid-term elections on 3 November is accelerating, and investors may remain cautious until then.

Signs of broadening domestic economic activity give scope for improved NZ asset returns, supporting shares, with businesses beginning to show a little self-sustaining recovery impetus. Income yields received into the Fund remain attractive by historical standards as the average domestic 6-month Term Deposit rate is just 3.59% p.a. currently. We expect only a very small and incremental in this level within the next three months, even with the RBNZ having initiated a mild tightening phase with its July and September +0.25% increases in the Official Cash Rate to 2.75% p.a.

This underscores the attractiveness of the yield stability demonstrated by the Salt Income Fund. 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

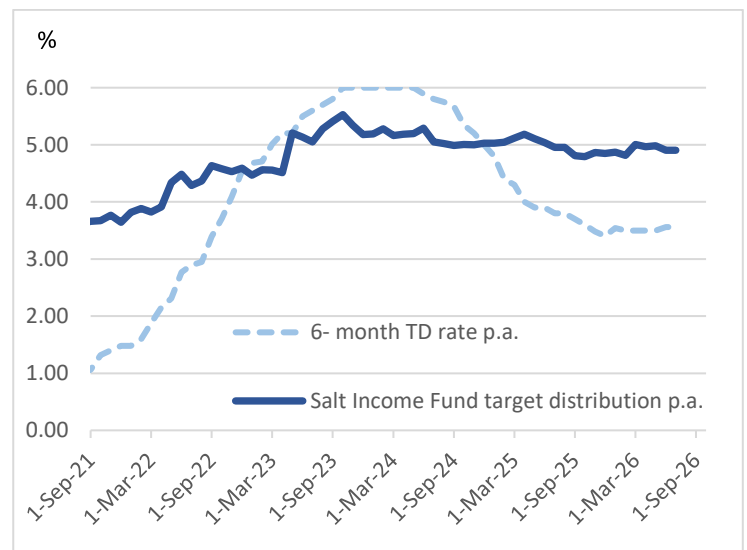
Stable component asset yields enabled us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which was paid out / reinvested in mid-August 2026.

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 last year, but then tightened and remain historically narrow, limiting potential for revaluation upside from Investment Grade and lower-rated bonds as spreads widened in September.

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. Defensive merit should continue to be asserted in coming months through renewed demand for specific "Real Asset" equity types, along with the sustainable dividend-payers in the broader Australasian market.

Finally, we anticipate 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 persisting into late-2026 and early-2027. The RBNZ acknowledged that the effects of the oil price shock were expected to linger. Meanwhile, the risks around the global growth outlook are now better balanced. With New Zealand inflation above the target range, and with growth expected to gather momentum as the oil shock eventually fades, the RBNZ considered it time to start removing the stimulus that had been put in place last year. While this may mean another OCR increase lies ahead, pass-through into higher TD rates is not expected to be dramatic, nor to lead to a rush into bank deposit instruments.

Income Fund's forward distribution rate vs. NZ 6-month Term Deposits - 5 years since inception



Source: Salt, RBNZ (data to 30 September 2026)