



SALT

Income Fund: asset allocation change notification

- Global listed infrastructure equities have rallied in line with our expectations in 2025, and we consider their current scope less compelling in terms of providing a premium dividend income alongside near-term capital growth. Their rally has been supported by the recent sharp moves lower in US longer bond yields. We do not think significantly lower Treasury yields are sustainable, raising risk to infrastructure.
- Accordingly, we lower our neutral global listed infrastructure position by 2% to a small underweight. We lower our global bonds allocation by 1% to a marginal underweighting, reflecting upside yield risks.
- NZ Shares, and particularly dividend-advantaged parts of the domestic market, are now benefitting from additional Reserve Bank easing and a better 2026 outlook. We move slightly overweight within the Income Fund, to a 2% overweight tilt via the Salt NZ Dividend Appreciation Fund allocation.
- The very strong Q2-Q3 2025 performance from Australasian property stocks held via the Enhanced Property Fund has also more-than-satisfied our near-term expectations, having returned +16% FYTD. We clipped the size of the overweight position and will opportunistically trim it further in Q4.

Dynamic Asset Allocation change – Salt Income Fund

Salt's Income Fund (SIF) aims to provide a gross fixed quarterly income in excess of 6-month bank term deposit rates, along with a positive return on capital on a rolling three-year basis, by investing in a diversified mix of income-generating and capital growth assets. Over the last 3 years, this has been achieved with quarterly distributions and capital growth variables fulfilling expectations by returning 6.2% p.a. (gross.) That compares with a gross 6-m TD return of 5.2% p.a. since 31 August 2022. 2022's returns were disadvantaged by the equity & bond bear markets that year. However, as at 31 August 2025, the since- inception gross Income Fund return has exceeded the Strategic benchmark-weighted index (reference portfolio) by 1.8% p.a. and over three years, has exceeded the 6-month term deposit rate (cumulative) by 1.0% p.a.

We believe scope for Income Fund distributions to exceed TD rates is strengthening, given OCR cuts, and the Fund's moderate capital growth objective is also viable given potential for cyclical improvement in NZ equities.

After a twelve-month period in which the yields on international bonds fluctuated, reflecting market perceptions of a gradual fall in future inflation rates, we consider that the upward risks to bond yields have recently risen. Fiscal and tariff-influences pose negative bond pricing risks, and international credit spreads are at (or near) record lows. Domestic rate-sensitive assets may prove more stable than global credit in 2026.

Positioning will be reviewed in late-October as the US tariff impact on yields, inflation and Fed policy clarifies. At that point, Salt Income Fund's distribution rate for the November quarterly distribution will be confirmed and posted.

Adjustment to Asset Allocations implemented 19-22 September 2025

Sector	SAA Target	Range	Current allocation	Active vs. SAA	change	DAA tilt
Global Fixed Interest	35%	0% – 60%	34 %	-1%	-1%	u/weight
Australasian Shares	30%	15% – 45%	32.5%	+2.5%	+2.5%	o/weight
Global / NZ Listed Property	15%	0% – 35%	18 %	+3%		o/weight
Global Listed Infrastructure	15%	0% – 35%	12.5%	-2.5%	-2.5%	u/weight
Cash or cash equivalents	5%	0% – 20%	3%	-2%	+1%	u/weight

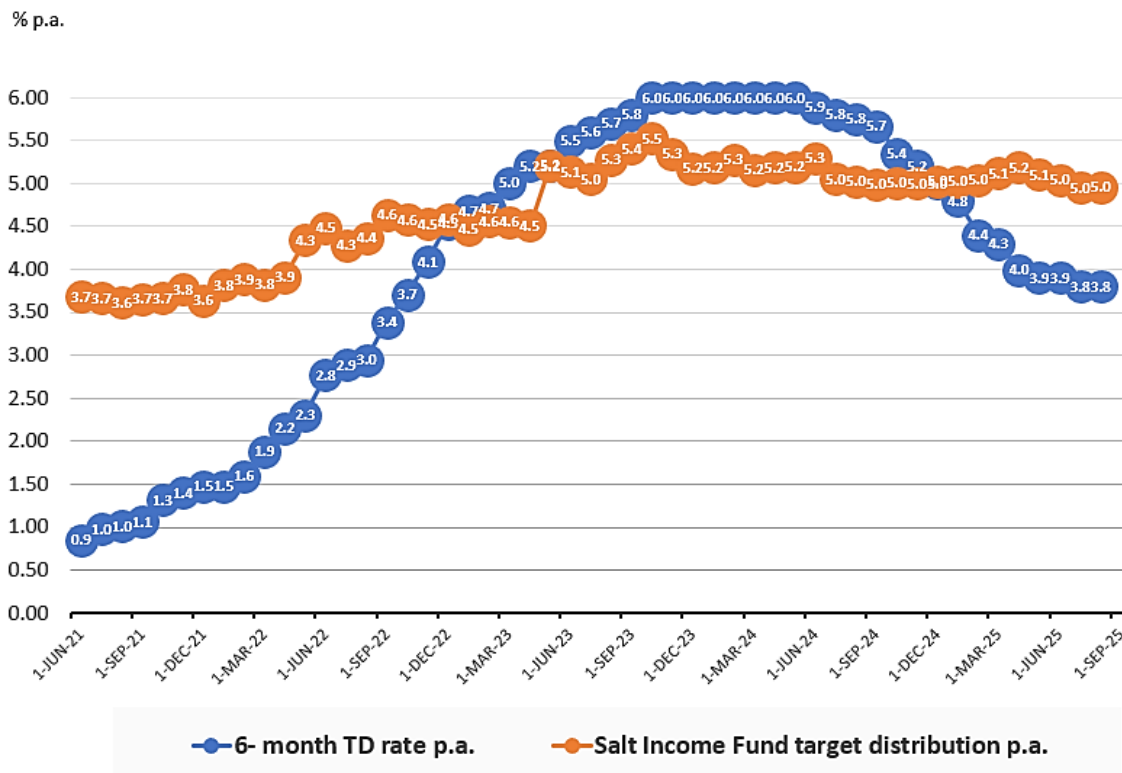
Source: Salt Funds Management

Dynamic Asset Allocation change rationales

- On a 12-month view, the expected total return from Global Bonds is now below both the estimated prospective return from NZ Equities and from Australasian Property. This reflects lower yields / tighter spreads. Carefully-selected and actively-managed international bonds are still valuable yield sources.
- That supports gradually raising domestic equity exposure, although not excessively, given the NZ economic softness in play. The potential for more Reserve Bank monetary stimulus should be medium-term supportive.
- Whilst prospective total returns from Australasian Property remain superior, the extremely strong financial year-to-date total return of +16% is unlikely to be repeated, as the sector's pricing had a weak base effect from an atypical level of holding reductions by large investors. The recent rebound reduced the marked prior undervaluation that had dogged NZ listed REITs from the time of the RBNZ's 2022 OCR tightening cycle.
- Our more cautious view on Global Bond is expressed as a reduction of -1% in the active allocation, which falls from 35% to 34% within the Income Fund, just below its Neutral SAA weighting.

Stable and superior quarterly distributions in excess of 6-month TD rates

On average, the Income Fund's gross distributions have been 4.7% p.a. versus the 4.1% offered TD rate



Greg Fleming

Portfolio Manager

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