

# SALT

## Salt Income Fund Fact Sheet – March 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 13 June, 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 31 March 2026

Benchmark	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	\$39.35 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 31.03.26	1.125 cents per unit per Quarter / 5.0% per annum

### Unit Price at 31 March 2026

Application	0.9007
Redemption	0.8970

### 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 31 March 2026

Global Fixed Interest	33.0%
Australasian Shares	33.5%
Global Listed Property	16.0%
Global Listed Infrastructure	13.5%
Cash or cash equivalents	4.0%

Asset allocation to global Fixed Interest + Cash **37.0%**

### Fund Performance 31 March 2026

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	-3.66%	-4.16%
3 months	-1.43%	-0.17%
6 months	-0.35%	0.62%
1 year	9.16%	6.08%
2 years p.a.	8.06%	5.61%
3 years p.a.	7.32%	5.14%
Since inception p.a.	3.81%	2.19%

Performance is before fees and tax, adjusted for imputation credits. \* at 31 Mar.

### Top Individual Holdings

Fisher & Paykel Healthcare	Precinct Properties NZ
US 5Yr Note (CBT) Jun 26	Auckland International Airport
US 10Yr Note (CBT) Jun 26	Goodman Property Trust
NZD Cash	Infratil
US 10Yr Ultra Future Jun 26	Vital Healthcare Property Trust

As at 31 March 2026

### SALT FUNDS MANAGEMENT

Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143  
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

## Market Commentary

- Markets had much to navigate during the first quarter of the year. Mega-cap technology companies came under intense scrutiny during the Q4 earnings season, the US Supreme Court ruled against the use of the International Economic Emergency Powers Act to justify the imposition of wide-ranging tariffs by the US administration which saw the Trump administration respond with a blanket 10% tariff on all imports, while tension in the Middle East escalated to full-blown war between the US and Israel against Iran.
- In this environment it was perhaps not surprising that both stock and bonds had a poor quarter as markets focussed more on upside risks to inflation than downside risks to growth. In interest rate markets, short-dated bonds were hardest hit as sentiment pivoted from rate cuts by some central banks to rate hikes. Developed market equities were down -3.5% over the quarter, while the global aggregate bond index was down -1.1%, both in USD.
- In the US, tech stocks had a particularly challenging start to the year as focus turned to the threat presented by AI to software as a service (SaaS), but also the ability of hyperscalers to continue to generate returns against ever higher levels of AI-related capital expenditure being announced. The sector stabilised somewhat as the war in Iran unfolded during the March month and investors turned to higher quality companies.
- Economic data was of little note in the US, and elsewhere for that matter, as the war unfolded and attention turned to the likely growth and inflation implications, and the uncertainty and inevitable trade-offs that would confront central banks.
- March month central bank meetings had all, except the RBA, holding rates unchanged and highlighting the uncertain path ahead. That said, both the Bank of England and the European Central Bank signalled a rate hiking bias.
- The best performing equity market over the month was Japan's TOPIX, which finished the month up +3.6% on the back of Yen weakness and the resounding victory of the Liberal Democratic Party in the February snap election and its implications for likely growth-enhancing fiscal stimulus.
- In Australia, the RBA became the first major developed central bank to tighten policy in this cycle, raising its cash rate by 25bps twice over the quarter, taking it to 4.1%. The second hike saw a close vote, though this was mostly a reflection of differing opinions on timing, rather than the need for higher rates.
- In New Zealand the RBNZ left interest rates unchanged at its February meeting. A speech in March by the RBNZ Governor took an appropriate line on the war in Iran, arguing the bank would look through the initial inflationary effects, but remain vigilant to the risk of that higher inflation becoming embedded.

## Salt Income Fund Commentary

**The Income Fund declined -3.7% (before fees) in March month, with a gross return of -1.43% in the three months (before fees / tax) which generated a one-year return of 9.16% (before fees / tax.) Over the three-year period, the Fund's gross annualised return was 7.32% p.a. (before fees / tax) which was ahead of its Reference Index for all rolling periods beyond six months.**

Among the Income Fund's components, the sole positive contributor in the March quarter was again the Salt Global Listed Infrastructure Fund which contributed +1.11% to the three-month's return. The Salt Global Listed Property Fund (+0.01% quarterly contribution) was also resilient in the face of weak global equity markets. Negative contributions in the March quarter came from the Salt NZ Dividend Appreciation Fund (-1.28% contribution,) the Select Global Fixed Income Fund (-0.33% impact,) and the Salt Enhanced Property Fund which detracted by -1.30% for the period.

Markets continue to focus on inflation, war in the Gulf, and trade policy risks affecting the pace of central bank interest rate reductions around the world, with the current negative trade politics likely to keep policy rate cuts incremental at best. However, the US Federal Reserve's Open Market Committee is divided at present on the scope for added easing in 2026, and demurred from lowering the Fed Funds Rate in the first quarter.

Inflation risks, deteriorated in US March data, and will be to the upside given the impact of oil and energy prices on the general price level. We would anticipate continuing supportive impact on the listed Real Asset and Bond returns within the portfolio, and this has indeed been seen so far in 2026 with particularly strong returns from Global Listed Infrastructure and with Global Listed Property also ahead of the S&P 500 Index in Q1 2026.

With the Oil price shock and the US tariff impact still to be fully gauged, the move from country-specific tariffs to a "universal" 10% US tariff will change the mixture of pricing pressures rather than reverse them. US policy easings may be paused pending better data confidence, given percolating inflationary factors. Domestically, an "on-hold" path from the RBNZ still assists NZ equity assets as 2026 gets underway and should allow additional catch-up with global asset returns. Diversification of income sources remains very effective, as not all asset yields are equally defensible.

The Fund's prospective yield is more than 1% above current 6-month TD rates, which were lifted slightly (to an average 3.5%) in March 2026. While TD rates stabilise, we expect little scope for significant increases, even as the RBNZ may be expected to adjust the Official Cash Rate upward slightly later this year. The domestic economy is still weak, particularly in Services.

## Salt Income Fund outlook

As inflation progressively confirms stabilisation (albeit at a higher level than prevailed before Covid) we expect component asset classes to improve further. Several key global economies are transitioning to slower growth, but the specific asset mix in this fund should not be negatively impacted, as valuations are not extended and quality is high overall.

Volatility across markets is ever-present with sentiment somewhat hostage to US political dynamics and global frictions. We expect value gains in interest-rate sensitive assets to continue through mid-2026. However, this will continue to be a tentative and at times interrupted process.

We believe bond yields adjusted sufficiently (via a volatile and uncertain route in the last 24 months) for us to have re-instituted a small underweight bond positioning within the Income Fund. We consider inflation risk now poses a reduced danger to the capital valuations of bond portfolios. However, yields and credit spreads could potentially lift and widen somewhat, as there is mixed global appetite for debt investing now.

The allocation to bonds is held at -2% below the neutral 35% SAA weight. Due to fiscal risks, particularly surrounding tax policies of the Trump administration, we would move back overweight only incrementally. Bond positions need careful selection, and active management, as credit spreads are back at near-record lows.

The NZ economy is still straining to achieve sustained momentum. The Reserve Bank of New Zealand moved the Official Cash Rate down to 2.25% in Q4 2025. This should prove to be the terminal rate in New Zealand for this cycle, as the final reduction was an (over)reaction to a weak GDP data print and poor sentiment. While an easing cycle has finished, little tightening is coming and the RBNZ has pushed back against markets pricing significant hikes in for this year. The Reserve Bank should look through oil price spikes, until they pass through to inflation expectations.

This gives scope for improved NZ asset returns, supporting shares, with the domestic economy beginning to show a little self-sustaining recovery impetus. Income yields received into the Fund remain attractive by historical standards as domestic 6-m Term Deposit rates fell quickly to just 3.5% p.a. currently. We expect little reversal in this level within the next three months. This underscores the attractiveness of the yield stability demonstrated by the Salt Income Fund.

We anticipate the longer-term capital growth strategies within the Salt Income Fund will support performance, as inflation and domestic growth conditions are improving. However, there is still a soft economic period to traverse en route to that outcome in New Zealand. Hence, the sourcing of Fund income from a globally-diversified set of stable yielding securities. Yields on global fixed interest have improved, reflecting risk assessments by bond investors globally, but spreads over sovereign yields remain tight.

As economies respond to a degree of stimulus with asset revaluations, we expect beneficial capital growth impacts to flow through. This positive portfolio role will likely be a key feature of total returns into 2026, although any US economic weak patch can potentially disrupt it, in the short term.

The volatility in global markets in response to the Trump tariff announcements, as well as the vigorous “relief bounce” since mid-2025 and again after the initial shock of the Iran attacks, have had less immediate impact on solid, income-producing securities such as those we favour in this Fund, than on more growth-sensitive asset types, and we expect that to continue. Global risks continue to run high, from the Trump Administration’s impact on confidence and now also, on global shipping.

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

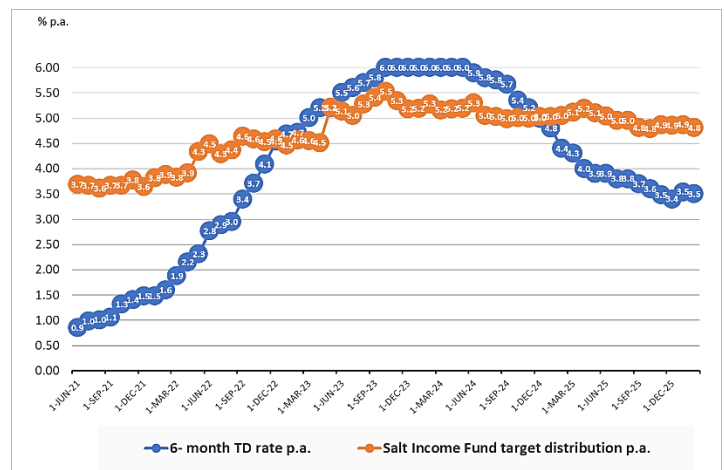
Stable component asset yields enable us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which was paid out / reinvested in mid-February.

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 low, limiting potential for revaluation upside from Investment Grade and lower-rated bonds.

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. The Real Asset components of Infrastructure and Property are well-suited to the immediate period ahead, as central bank policy rates progressively stabilise at lower levels. Defensive merit should continue to be asserted in coming months through renewed demand for these specific “Real Asset” equity types, along with the sustainable dividend-payers in the broader Australasian market.

Finally, the lowering of the NZ Official Cash Rate substantially reduced the Term Deposit rates being offered by domestic banks, but now 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 early 2026. While bank interest rate reductions have ceased, we see very limited scope for any meaningful increases in TD rates within the first half of 2026.

## Income Fund’s forward distribution rate vs. Term Deposits



Source: Salt, RBNZ (data to 31 March 2026)

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