

SALT

Salt Income Fund Fact Sheet – October 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 31 October 2026

Benchmark	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	$43.96 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 31.10.26	1.125 cents per unit per Quarter / 5.00% per annum

Unit Price at 31 October 2026

Application	0.9025
Redemption	0.8988

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 October 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 31 October 2026

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	1.23%	2.00%
3 months	-0.29%	-0.67%
6 months	2.49%	1.58%
1 year	2.06%	3.07%
2 years p.a.	6.28%	4.36%
3 years p.a.	10.16%	8.46%
5 years p.a.	3.65%	1.93%
Since inception p.a.	4.04%	2.52%

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

Top Individual Holdings

Fisher & Paykel Healthcare Ltd.	Goodman NZ Ltd. & Goodman Property Services Ltd.
NZD Cash	Contact Energy Ltd.
Infratil L Auckland International Airport Ltd.	Kiwi Property Group Ltd.
Precinct Properties NZ Ltd.	Canada Govt. Bond 2.5% 1/5/2028
Infratil Ltd.	NZ Govt. Bond 0.25% 15/5/2028

As at 31 October 2026.

The Top 10 individual holdings make up 31.6% of the Income Fund's total holdings.

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Market Commentary

- Global financial markets experienced a volatile October, as investors weighed resilient economic activity and corporate earnings against persistent inflation, geopolitical uncertainty and the prospect of interest rates remaining higher for longer. Higher energy prices continued to complicate the inflation outlook, while concerns about valuations and the scale of investment in artificial intelligence contributed to increased equity market volatility.
- Global bond markets reversed some of their earlier weakness, with government bond yields declining sharply during October, particularly towards month-end. The move was notable given continued inflation pressures and relatively resilient economic growth. It suggests that earlier increases in yields reflected more than inflation concerns alone, with changing growth expectations, fiscal risks and investor positioning also playing important roles. The decline in yields provided some relief for fixed income investors.
- The US economy continued to demonstrate resilience, although labour market conditions remained subdued and inflation persisted above the Federal Reserve's target. The Fed left interest rates unchanged in October, balancing persistent inflation pressures against the risk of weaker growth. Further monetary tightening remains possible, but the Fed can afford to remain patient while assessing incoming economic data.
- Europe continued to face a difficult combination of modest growth and elevated inflation. The ECB left interest rates unchanged, although further tightening remains possible. Fiscal sustainability also attracted attention, particularly in France, where political uncertainty and rising government borrowing costs highlighted the structural challenges facing the euro area.
- Japan's economy remained on a gradual normalisation path, with wage growth and underlying inflation supporting the case for further monetary tightening. The BoJ held rates unchanged in October, but additional increases remain likely as policymakers seek to establish a more sustainable relationship between wages, prices and interest rates.
- China's economy remained resilient but uneven. Annual GDP growth improved to 4.5% in the September quarter, supported by manufacturing and exports. However, domestic demand remained subdued, and the property sector continued to struggle. The authorities' challenge remains managing the pace of a structural slowdown without allowing weakness in property and investment to undermine broader economic confidence.
- Australia's inflation outlook deteriorated further during October, with annual headline inflation reaching 4.3% in September and underlying inflation remaining elevated. The RBA consequently faced increasing pressure to raise interest rates again in November. However, weak consumer and business confidence, a softer labour market and declining house prices suggested earlier monetary tightening was already restraining demand.
- In New Zealand, inflation and monetary policy dominated the economic news. Annual CPI inflation eased to 3.7% in September, but core measures remained uncomfortably high. The RBNZ narrowly voted 4–3 to leave the OCR unchanged at 2.75%, despite acknowledging that further tightening would likely be required. Higher fuel prices, a weaker exchange rate and persistent domestic inflation pressures reinforced the case for returning interest rates towards neutral sooner rather than later.

Salt Income Fund Commentary

The Income Fund was positive for the month (gaining 1.23% before fees), with a modest rolling annual return of +2.1% (before fees). In the two-year period to 31 October, the Fund returned +6.3% p.a. (before fees / tax – which was 1.9% p.a. ahead of its Reference Index. Over the three-year period, the Fund's gross annualised return was 10.2% p.a. (before fees / tax) remaining ahead of its Reference Index. The distribution rate remained unchanged for the October, and was paid in early November.

Among the Income Fund's components, the strongest positive contributor in the October was the Salt Global Listed Infrastructure Fund which contributed +0.62% to the month's return. The Salt Select Global Fixed Income Fund was second over the month, making a 0.52% positive impact, while the Salt Global Listed Property Fund added 0.05% and the Salt NZ Dividend Appreciation Fund made a small negative contribution of -0.10%.

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 December 2026, having moved 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. Markets now believe another lift in December is very likely.

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 attained 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 2026 year-to-date.

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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-m 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

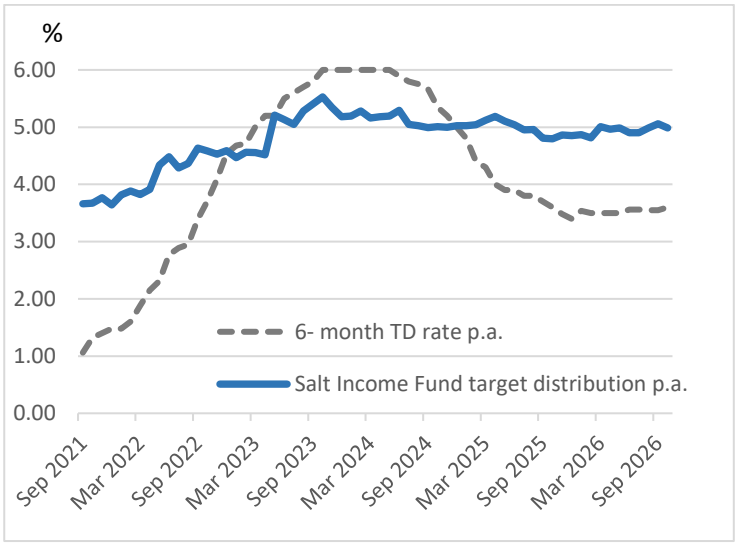
Stable component asset yields enabled us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which was paid out / reinvested in mid-November 2026.

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 and into Q4 2026. This is mainly due to corporate risks in AI borrowings.

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 31 October 2026)

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