Salt Select Global Shares Fund Fact Sheet –December 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 31 December 2025

Fund Assets	$97.80 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 31 December 2025

Application	1.4396
Redemption	1.4337

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 31 December 2025

Global equities	98.2%
Cash & sundry items	1.8%

Fund Performance to 31 December 2025

Period	Fund Return	Benchmark Return
1 month	0.44%	0.63%
3 months	-1.02%	4.12%
1 year	0.83%	17.99%
2 year p.a.	13.88%	25.79%
3 year p.a.	16.65%	25.07%
Since inception p.a.	10.04%	15.50%

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)	Coca Cola (US)
SAP (DE)	Thermo Fisher Scientific (US)
Alphabet (US)	RELX (UK)
Taiwan Semiconductor (TW)	Procter & Gamble (US)
VISA (US)	Intercontinental Exchange (US)

Source: MSIM, data as at 31 December 2025.
The Top 10 Holdings represented 42.2% of the total portfolio.

The Portfolio's carbon footprint, measured as weighted average carbon intensity (WACI) was 77% lower than MSCI AC World Index.[A]

Market Review

- Markets took something of a breather in November, taking the lead from the US where despite the longest ever Government shutdown ending early in the month, the subsequent dearth of data and signals on growth, inflation and monetary policy took its toll on sentiment. On a brighter note, the third quarter earnings season was solid. Developed market equites closed the month +0.3% higher (in USD) and +0.6% in NZD, while the global aggregate bond index was also little changed.

- What data there was in the US was mixed. The delayed September labour market report showed better than expected payrolls growth of +119k, but markets focussed more on the dovish signal from the unemployment rate, which rose to 4.4%. Fed-speak was also mixed, highlighting the divisions amongst the FOMC members.

- Economic data out of Europe supported the narrative that the European Central Bank will be on hold for the foreseeable future. Inflation remains close to target and activity data remains consistent with subdued but positive growth.

- In the UK the focus was on the annual Budget at the end of the month. Higher taxes and the resulting increase in fiscal headroom was positive for Gilt markets.

However, there was an element of "spend now, pay later" in the detail. In a narrow vote of 5-4, the Bank of England left interest rates unchanged during the month.

- In Japan, consumer price inflation remained well above target. Sentiment continued to build towards a December rate hike. The Bank of Japan has not altered interest rates since the start of the year. New Prime Minister Takaichi's ¥21 trillion fiscal package and the recent Yen weakness will have a bearing on the BoJ's December 19th rate decision.

- Latest activity data out of China was soft. October industrial production came in well below consensus, retail sales slowed for a 5th consecutive month, and year-to-date fixed asset investment came in at -1.7%. Authorities will be hoping the recent US-China trade truce and the Rmb1trn fiscal package announced in autumn will help stablise activity.

- A shockingly strong September quarter CPI out of Australia saw the Reserve Bank of Australia leave interest rates unchanged at its November meeting. Labour market data for October also came in more strongly than expected. Some analysts now see a chance the RBA's next interest rate move may be up.

- The Reserve Bank of New Zealand cut the Official Cash Rate to 2.25% in a 5-1 vote. The lone dissenter would have preferred to leave rates unchanged. We think this will be the bottom of the interest rate cycle. Towards the end of the month there was a run of stronger data, supporting the case the economy has turned the corner.

Portfolio Review

- In December, the portfolio returned +0.44% (Gross/NZD) while the MSCI World Net Index returned +0.63%. For the fourth quarter, the portfolio returned -1.02% versus +4.12%for the Index. At the start of the year, during the market drawdown between mid-February and early April, the Portfolio's defensive characteristics contributed positively, delivering over 500 basis points of relative outperformance.

- However, from April onwards market returns became increasingly driven by a narrow set of macro and thematic exposures, most notably cyclicality and AI-linked operating leverage. In this environment the Portfolio did not keep pace with the index, resulting in a full year gross return of +0.83% versus +17.99% for the MSCI World%.

- Our approach continues to prioritise businesses with the ability to compound earnings over time, underpinned by strong competitive positions, durable moats, world-class brands and networks, and pricing power. With valuation dispersion elevated and Quality as an investment theme trading at a meaningful discount to recent history, we believe the current environment presents a rare opportunity to take advantage of Quality on sale. Should market focus shift back towards fundamentals, this would provide a favourable backdrop for the Portfolio's disciplined emphasis on earnings resilience, capital discipline and sensible valuation.

The largest **absolute contributors** to performance in the fourth quarter were companies reporting positive third-quarter news. **Alphabet** rose almost 30% (in USD terms), supported by continued strength across its core Search and YouTube franchises, improving Google Cloud profitability, and the successful rollout of its latest Tensor Processing Unit (TPU) which reinforced confidence in its AI capabilities.

- Semis names **TSMC** and **ASML** also delivered double-digit gains: TSMC reported close to 40% year-over-year earnings growth and upgraded full-year guidance on the back of strong AI demand, while ASML reported solid bookings and improved its 2026/27 outlook, supported by ongoing AI infrastructure build-out and a broader, longer-tail customer base.
- Meanwhile in Health Care, **Thermo Fisher** and **Haleon** both exceeded analysts' expectations on organic revenue growth and benefitted from a broad Health Care sector rally as regulatory and pricing risk perceptions eased following the Trump-Pfizer agreement.
- Another top contributor was **Intercontinental Exchange**, which benefitted from rising artificial intelligence (AI)-driven demand for proprietary data, and positive investor sentiment towards recent acquisitions.

- **On the downside**, the fourth quarter saw a continuation of the indiscriminate punishing of a diverse range of data-rich and software-enabled business models that has been underway since August, driven by heightened concerns around advanced AI (generative AI and agentic AI) disruption. This resulted in a de-rating across several differentiated, high-quality holdings including **RELX** and **SAP**, these businesses are already integrating AI into their proprietary datasets and deeply embedded workflows and as such, we believe they are far more likely to benefit from the technology than be displaced by it.
- For example, RELX's third-quarter results highlighted growing uptake of AI-enabled platforms, such as Lexis+ AI, which is supporting revenue growth across its analytics franchise, while SAP's recent results showed strong cloud and ERP adoption which management emphasised is expanding the addressable base for AI-led upsell and embedded AI functionality.
- **AJ Gallagher** and **Microsoft** also detracted in the quarter as both stocks pulled back following strong runs earlier in the year, while **AutoZone** struggled following mixed fiscal year 2026 first quarter results, missing on earnings due to growth investments and a non-cash LIFO accounting charge. We added to the position on share price weakness.

- **Stock selection appears as a relative detractor** in the fourth quarter partly due to AI disruption concerns which weighed on several of the Portfolio's overweight subgroups, most notably within Information Technology, Financials, and Industrials. Within Information Technology, the Portfolio's preferred Software group declined 8% (in USD terms), while investor preference for AI infrastructure exposure saw the Hardware and Semis subsectors both rise 6%. While the Portfolio maintains a bias towards Software, selective exposure to high quality AI enablers TSMC and ASML offered some relative support within the sector. In Financials, balance-sheet-light areas held by the Portfolio – Payments (-2%), Insurance Brokers (-9%), and Exchanges and Data Providers (-1%) – lagged a +10% gain in Banks, which the Portfolio does not own.

- A similar pattern was evident in Industrials, where the Portfolio is skewed to capital-light Professional Services - a subsector which returned -9% versus a flat overall sector. Outside these areas, **Zoetis**' share price fall meant the Portfolio lagged the very strong Health Care sector, while **AutoZone** was a drag within Consumer Discretionary, partially offset by strong performance in Communication Services due to **Alphabet**.

For 2025 overall, the largest contributors to absolute performance were the cloud hyperscalers **Alphabet** after its very strong fourth quarter and **Microsoft** where the absolute impact was boosted by the large position size. AI bottlenecks **TSMC and ASML** also contributed strongly, reflecting their critical positions in advanced semiconductor manufacturing, with sustained demand for TSMC's advanced-node capacity and ASML's EUV lithography equipment as AI infrastructure spending remained elevated. Finally, **L'Oréal** had a particularly strong year, significantly outperforming Consumer Staples peers as organic growth reaccelerated, backed by improving trends in Asia and resilient demand in Europe. Investor confidence was further boosted by evidence that ongoing digital investments are enhancing execution.

Accenture was the largest absolute detractor in 2025. Share price weakness over the year reflects a continuation of sub-trend industry growth, the demand hit from U.S. government cost-cutting initiatives, along with concerns about Advanced AI's potential deflationary pressure on industry profit pools, which led to our exit in the fourth quarter. AI-related pressures also weighed on **FactSet** as GenAI disruption concerns, along with investment-led margin pressure, drove multiple compression. In Health Care, **UnitedHealth** cut and then abandoned its 2025 earnings guidance, while **Becton Dickinson** disappointed on its full year 2025 growth.
We exited both positions in the second quarter.
Meanwhile, **Procter & Gamble** struggled as organic growth moderated following a period of price-led expansion, with subdued volumes weighing on valuation. We continue to view the company as a premium defensive franchise with strong cash generation and brand strength.

Relative performance for 2025 reflects both the persistence of narrow market leadership among cyclical and AI-infrastructure-exposed segments and the broad-based de-rating of a diverse range of quality business models, impacting names even where underlying fundamentals remained intact. In Information Technology, Software (+9% in USD terms), where the Portfolio is significantly overweight, delivered a decent positive return for the year but this materially lagged the exceptional gains in Hardware and Semis (both c. +40%) where the Portfolio is underweight, though owning TSMC and ASML helped. A similar dynamic was evident in Financials and Industrials, where the more resilient Payments, Insurance Brokers and Professional Services segments were negative, while lower quality, highly cyclical areas including Banks and Aerospace & Defence delivered unusually elevated returns in excess of +50%.

Index concentration further impacted relative performance as a small number of stocks accounted for a disproportionate share of benchmark performance, most notably Nvidia, Broadcom, JP Morgan, and Meta, which the Portfolio has not owned due to its quality and valuation discipline. Outside of these dynamics, Health Care weakness was due to idiosyncratic stock-specific issues, although we remain supportive of the long-term case for high quality names in specific sub-sectors such as Life Science, Animal and Consumer Health, while Communication Services saw relative outperformance. Sector allocation for the year was modestly supportive.

Fund outlook (MSIM Market View)

- There is a dynamic tension between optimism about artificial intelligence (AI) driving near-term corporate profitability and scepticism about whether these high expectations can be realized soon.
- Valuations remain steep: MSCI World trades at c.20x forward earnings, and the S&P at c.22x, implying more certainty than warranted given macro uncertainties.
- These valuations depend on 13% earnings growth for the MSCI World over the next two years, driven by further margin expansion from already elevated levels.
- Quality as an investment style has underperformed the broader market to an extent not seen since the dot-com era.
- Historically, periods of Quality underperformance have been followed by a meaningful resurgence in Quality stocks.
- Many of our companies are "double-discounted", being penalize both for being 'quality' and for perceived risk from Advanced AI disruption, despite their resilience and potential long-term benefits from AI.
- Looking forward, we expect fundamentals to reassert themselves, as they always do in the end.
- Our conclusion? This is a great portfolio, full of great companies, that are continuing to deliver resilient earnings growth, with strong fundamentals, but trading at the wrong price, particularly relative to the stretched market.
- Against the uncertain backdrop, a portfolio of the highest quality companies, trading at an unusually discounted price vs the market, suggests a generational opportunity to take advantage of Quality on sale.
  Recent months have highlighted a dynamic tension within global equity markets, with optimism that AI will drive a visible transformation in corporate profitability and potentially accelerate the U.S. economy, but also growing scepticism that these high expectations will be fully realised in the near term.

Quality 'on sale'

After a very strong 2025, with the MSCI World Index up 21%, a third boom year after a +19% return in 2024 and +24% in 2023, global equity markets enter 2026 at a pivotal juncture. The close of 2025 was marked by a dynamic tension between those optimistic that artificial intelligence (AI) will drive a visible transformation in corporate profitability in the near term, justifying the massive capital expenditures, and the growing voice of those questioning whether these high expectations can be realised in the near term.

Against this backdrop of uncertainty, not just around the path of AI adoption, but also growth, inflation, trade policy, government debt and geopolitics to name just a few, the MSCI World Index continues to trade at around 20x forward earnings, with the S&P 500 at 22x, valuations that imply far more certainty than seems to be warranted. And these steep valuations rest on the assumption of robust 14% earnings growth for the MSCI World over each of the next two years, driven by further margin expansion from already elevated levels.

A regime of seeming market certainty in a distinctly uncertain world has naturally not been favourable for Quality as a style, which has underperformed the broader market to an extent not seen since the dot-com era.

In terms of our outlook, historically, such periods of Quality underperformance have been followed by a meaningful relative resurgence in Quality stocks, which contributes to our view that Quality offers one of the greatest opportunities in markets today.

In fact, we'd argue many of the companies we own across a range of sub-industries are double-discounted, being punished not just for being 'quality' but also viewed as being at risk from Advanced AI disruption. This has hit Software companies within Information Technology, a variety of Professional Services within Industrials, and Information Services within Financials. Our view is that the market has taken an indiscriminate view, not differentiating enough between industries and business models.

We believe companies such as MSCI, S&P Global, RELX and Experian are not only likely to be robust against the Advanced AI threat, but should actually be long-term beneficiaries. As such, we disagree with the market about these companies' prospects. This is not to say that we are complacent; we continue to reassess our holdings' moats and focus on names where we are most confident about their resilience against Advanced AI risks. While their de-rating has adversely affected performance in 2025, it does improve their prospects going forward.

Our quality Portfolio also has exposure to those providing Advanced AI, mainly through select hyperscalers – companies that have decent growth prospects even without Advanced AI – alongside reasonable valuations, which should limit the downside from any deflation of Advanced AI expectations. Where we have limited direct exposure to semiconductors, we prefer businesses that serve as key bottlenecks in the supply chain with broad use cases that are not wholly reliant on generative AI prospects. We are particularly wary of players where planned capital expenditures are highly dependent on debt financing rather than their own cash flow generation.

These Advanced AI exposures are deliberately balanced by holding traditional defensives such as high-quality consumer and health companies.

Overall, the Portfolio is built around companies with the capacity for sustained earnings growth, supported by pricing power and recurring revenues. These are businesses that have demonstrated resilience through cycles, with lower earnings and price volatility than the broader market, showing a pre-tax return on operating capital employed (ROOCE) of over 70% for the portfolio versus 24% for the index, and gross margins at close to 60% versus 33%. In the past, the market has charged an insurance premium for this resilience, with Quality significantly pricier than the overall index.

This is far from the case today. The Portfolio is projected to grow faster than the market, with projected topline growth of over 8% per year over the next two years, well ahead of the index at 5.9%. Despite the attractive combination of this higher topline growth and its traditional resilience, the Portfolio actually trades at a significant free cash flow discount to the market, a level of discount not seen in the past decade – a rare opportunity.

Looking forward, we expect fundamentals to reassert themselves, as they always do in the end. Against the uncertain backdrop, a portfolio of some of the highest quality companies in the world, trading at an unusually discounted price versus the market, suggests a generational opportunity to take advantage of Quality on sale.

Our conclusion? That this is a great portfolio, full of great companies, that are continuing to deliver resilient earnings growth, with strong fundamentals, but are trading at the wrong price, particularly relative to the stretched market.

Notes

A. Source: Trucost. As of December 31, 2025, the Portfolio's weighted average carbon intensity (WACI) was 77% lower than the MSCI AC World Index.

WACI is calculated using Scope 1 & 2 emissions per $m of company revenue. The term carbon refers to greenhouse gas (GHG) emissions, measured in metrics tonnes of carbon dioxide equivalent (CO_2e) emissions. Our data provider's methodology follows the GHG protocol and includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and Nitrogen Trifluoride (NF_3), calculated in metric tonnes of CO_2 equivalent. Some carbon/carbon equivalents data may be estimated by the data provider. Data excludes cash.