

SALT

Salt Select Global Shares Fund Fact Sheet – May 2026

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 May 2026

Fund Assets	\$96.39 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 May 2026

Application	1.3586
Redemption	1.3531

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%
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Fund Allocations at 31 May 2026

Global equities	98%
Cash & sundry items	2%

Fund Performance to 31 May 2026

Period	Fund Return	Benchmark Return
1 month	-1.90%	2.81%
3 months	-0.44%	7.53%
1 year	-4.73%	27.15%
2 year p.a.	6.89%	21.98%
3 year p.a.	9.50%	21.94%
Since inception p.a.	7.81%	15.21%

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

Taiwan Semiconductor (TW)	Netflix (US)
Alphabet (US)	Microsoft (US)
Keyence (JP)	Coca-Cola (US)
VISA (US)	Amazon (US)
ASML (NL)	L'Oreal (FR)

Source: MSIM, data as at 31 May 2026.

The Top 10 Holdings represented 43.9% of the total portfolio.

The Portfolio's carbon footprint, measured as weighted average carbon intensity (WACI) was 74% lower than MSCI AC World Index.^A

Market Review

- Following April's surprising resilience, equity markets made further gains in May as investors priced in a de-escalation in geopolitical tensions. Attempts at an agreement between the US and Iran ramped up towards the end of the month, though negotiations were still on-going as the month ended.
- At the same time as negotiations pointed to a possible end to the immediate conflict, there was little in the macro activity data to suggest any meaningful damage from the war, at least thus far. Developed market equities ended the month up +4.6% (in USD).
- Oil prices fell below US\$100 per barrel which, given the inflation implications, helped a modest rally in bond yields. The global aggregate bond index ended the month with a small gain of +0.3% (in USD).
- Aside from Australia, which is facing into its own domestic inflation problem, central banks remained on the sideline in May, waiting for more evidence of both the demand and inflation impacts of the higher fuel prices. A key point in their deliberations is that even if the conflict were to end soon, oil prices are likely to remain above pre-crisis levels for some time.

- In the US, market resilience is being supported by resilient earnings. The latest round of company reporting saw earnings up +30% y/y, resulting in a +5.3% rise in the S&P 500 over the month. Meanwhile, CPI data confirmed rising inflationary pressures as the April headline CPI rose +3.8% y/y, the fastest annual pace since early 2023, while the core measure rose +2.8% y/y.
- Activity data was weakest in Europe as the composite PMI fell to its lowest level since late 2023, implying lower growth ahead. Consumer confidence improved slightly in May but remained below its long-run average. Despite the weaker activity signals, an ECB rate hike is still expected in June to anchor inflation expectations.
- Strong consumption growth saw Japan's first-quarter GDP growth beat expectations, coming in at +2.1% q/q. Exports were also strong, as was public investment which is being supported by expansionary fiscal policy under the new Prime Minister.
- In China, key activity indicators were soft again in April as retail sales weakened and industrial production saw its sharpest monthly decline in three years. At the same time, however, inflation rose to 1.2% y/y in April, largely driven by higher fuel prices and consumer goods. The weakness in activity will be the main driver for policy in the period ahead with further fiscal stimulus likely.
- The Reserve Bank of Australia lifted the cash rate by a further 25 basis points to 4.35% in May, its third consecutive hike of 2026, as higher energy prices and sticky underlying inflation kept pressure on policymakers, even as growth indicators softened and consumer confidence remained subdued. Softer data towards the end of the month saw markets pull back on expectations of further rate hikes.
- In New Zealand there were two major policy announcements towards the end of the month with the RBNZ's May Monetary Policy Statement and the Budget within 24 hours of each other. The RBNZ left interest rates unchanged in a close vote but signalled a first increase in July. The Budget showed a better-than-expected fiscal outlook but built on economic assumptions that look a little optimistic to us.

Portfolio Review

- In May, the Portfolio returned -1.90% (Gross/NZD) and the MSCI World Net Index returned 2.81%. Year to date, the portfolio has returned -5.10%, and the index has returned 6.12%.

What drove returns in May?

The largest contributors to absolute performance for the month were Information Technology names following strong results reported during the April earnings season: **TSMC** (+25 basis points [bps]) delivered record-breaking first quarter results that highlighted robust demand for its artificial intelligence (AI) processors and prompted management to raise full-year revenue growth guidance.

Keyence (+40 bps) reported improving demand across factory automation markets following a prolonged downturn and indicated it would return more capital to shareholders going forward; **ASML** (+40 bps) benefitted from robust demand across both logic and memory customers, supporting the outlook for its EUV lithography systems; **Microsoft** (+30 bps) saw Azure growth accelerate to 35% year-over-year and Copilot seats rise 250% over the prior year, reinforcing confidence in the company's ability to monetise AI across its enterprise customer base; and **Texas Instruments** (+20 bps) highlighted improving demand trends particularly across its industrial end markets, with very strong data centre demand providing an additional tailwind.

The largest absolute detractors: **Zoetis** (-57 bps), which we exited during the month, declined following disappointing first quarter results that raised cyclical and structural concerns about the outlook for its core U.S. companion animal business; **AutoZone** (-55 bps) fell following fiscal third quarter results, as investors focused on softer-than-expected domestic same-store sales growth and the company's greater exposure to lower-income consumers through its DIY business, despite otherwise resilient operational performance; **Netflix** (-40 bps) pulled back after announcing softer-than-expected second quarter guidance in April, which overshadowed a solid first quarter earnings and revenue beat.

Cencora (-25 bps) maintained full-year guidance following fiscal second quarter results, however, slower-than-expected growth in its core U.S. health care solutions business and concerns around execution weighed on sentiment; and **Intercontinental Exchange** (-27 bps) retreated despite strong first quarter results, as trading activity weakened from the elevated levels earlier in the year and investors remained cautious on the outlook for its mortgage businesses in light of a pickup in lending rates.

- In terms of relative performance, **sector allocation was neutral**, as the benefit from the zero weight to Energy and Utilities roughly balanced deduction from the modest Information Technology underweight and Consumer Staples overweight.
- **Stock selection was the larger headwind**, with outperformance in Consumer Staples overshadowed by relative weakness in Health Care, Consumer Discretionary, Communication Services, Industrials and Financials, mainly due to stock specific detractors.
- Information Technology was also affected despite strong absolute performance, due to not owning some of the best performers within the index in Semiconductors, Hardware and Software.

Portfolio Activity

In May, we took advantage of a pull-back in the shares to initiate a position in **McKesson**, the largest and, in our view, highest quality U.S. drug distributor, with an oligopolistic position enabling it to function as toll road on the U.S. health care system, supported by scale, infrastructure and its leading specialty oncology franchise.

We also initiated a position in **Ferguson**, a scaled market leader within the fragmented North American plumbing and HVAC markets, where consistent share gains, durable competitive advantages and strong cash generation underpin a compelling long-term compounding profile.

Our final purchase was **Schneider Electric**, a global leader in electrical equipment and automation where data centre exposure provides structural AI-driven growth at a reasonable valuation, while diversified growth drivers and end markets underpin earnings resilience.

These new additions were partly funded by the sale of **Zoetis**, after disappointing first quarter results and the exit of **Abbott Laboratories** due to the ongoing underperformance of their medical devices business along with a deteriorating view of management's capital allocation decisions.

We also completed the sales of **Arthur J. Gallagher** as we sought to consolidate our insurance broker exposure into our highest-conviction name, **Aon**.

Finally, we trimmed **Texas Instruments and Keyence**, following strong performance, as valuations looked fuller.

MSIM Market Outlook

Global equity markets rebounded in May, recovering fully from Q1's geopolitically-driven sell off and gaining new highs.

- Exceptionally strong markets, elevated valuations and growing concentration leaves us cautious.
- Global equities have rallied strongly, with MSCI World up nearly 15% quarter-to-date despite persistent geopolitical, inflation and fiscal risks.
- AI remains the dominant market theme, but returns have become increasingly concentrated in a narrow group of large-cap beneficiaries.
- Over 70% of quarter-to-date index gains driven by semiconductors, IT hardware and major hyperscalers.
- Valuations in parts of the AI complex appear demanding, implying very optimistic assumptions for future growth and profitability. There remains uncertainty around the ultimate beneficiaries.
- Greater selectivity will be increasingly important as markets differentiate between genuine long-term winners and those businesses simply benefiting from near-term enthusiasm.
- Upcoming AI-related IPOs may add pressure on capital allocation, potentially challenging today's narrow leadership.

The portfolio's low cyclicality should provide resilience should we see a growth scare. As ever, we continue to look for reliable compounders and are open-minded to where we find them.

Global equity markets continued their remarkable advance through May. Going back to the start of the century, only four full quarters have reported a higher return for MSCI World than the current quarter to date, with a month still to go. Markets have been reaching these all-time highs despite a range of potential risks such as elevated geopolitical tensions, higher inflation and concerns around fiscal sustainability in several developed economies. The AI trade remains the defining investment theme of 2026. However, while broad market returns are strong, the rally has become increasingly concentrated, with a significant proportion of those gains driven by a relatively small number of AI-related companies. Of the near 15% return generated by the MSCI World Index during the second quarter to date, more than 70% has come from semiconductor companies, IT hardware businesses and the hyperscalers Microsoft, Alphabet and Amazon. Together, these companies now represent approximately 30% of the index.

Another is valuation. For some AI-related businesses, valuations have reached levels that imply exceptionally optimistic expectations for future growth and profitability. In other areas such as Software, shares have materially de-rated over the last year, with many now trading on compelling valuations. Interestingly, over the last couple of months we've seen some stabilisation in the Software sector, performing in line with Semis and Hardware in May, although still negative in absolute terms year-to-date.

While recent announcements from leading technology companies have reinforced confidence that enterprise adoption is accelerating – supporting demand across cloud infrastructure, semiconductors and digital platforms – there remains uncertainty around the ultimate beneficiaries. Markets may have become increasingly confident in the infrastructure providers enabling AI, but the debate surrounding the broader implications for business models, industry structures and competitive dynamics is ongoing. Some companies may emerge with stronger competitive positions and enhanced profitability; others have already found their barriers to entry challenged more rapidly than anticipated.

As the technology evolves, it is likely to become increasingly important to distinguish between genuine long-term winners who can justify these lofty valuations and those businesses simply benefiting from near-term enthusiasm but do not deliver on earnings to support their price. In addition, the second half of the year will see a swathe of blockbuster, AI-related IPOs¹⁵ adding another demand on investors' capital. The question remains how these will be funded. Perhaps by taking capital from the narrow group of market leaders whose valuations have expanded considerably.

The combination of exceptionally strong markets, elevated valuations and growing concentration leaves us cautious on the broader market outlook, even as individual opportunities remain attractive. Against this backdrop, our Portfolio companies continue to compound sales and earnings growth. The Portfolio has superior topline growth expectations and stronger quality characteristics relative to the index and continues to trade at an unusual free cash flow discount to the market. In this heady environment, we would suggest a selective, quality approach with low cyclicality should help provide long-term resilience and serve as a core building block for any portfolio.

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Notes

- A. Source: Trucost. As of May 31st, 2026, the Portfolio's weighted average carbon intensity (WACI) was 74% 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 (CO₂e) emissions. Our data provider's methodology follows the GHG protocol and includes carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and Nitrogen Trifluoride (NF₃), calculated in metric tonnes of CO₂ equivalent. Some carbon/carbon equivalents data may be estimated by the data provider. Data excludes cash.

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