

# SALT

## Salt Capital Growth Fund Fact Sheet – January 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.

### Investment Strategy

The Fund aims to provide a total return (after fees and expenses but before tax) above the Reserve Bank of New Zealand's Consumer Price Index +5% benchmark on a rolling five-year basis. To achieve this, the Fund targets a diversified mix of growth and defensive assets, with a focus on securities with strong Environmental, Social and Governance credentials.

The Fund also aims to maximise its total return by outperforming, over the long term, the weighted average return of the market indices used to measure performance of the underlying funds/assets in which the Fund invests: the Reference Portfolio. Medium-term capital growth is prioritized above income 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 January 2026

Benchmark	NZ CPI +5% over 5 years
Reference Portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	\$63.66 million
Inception Date	15 September 2021
Portfolio Manager	Greg Fleming

### Unit Price at 31 January 2026

Application	1.1736
Redemption	1.1689

### Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category avge
Morningstar ESG score	18.25	23.00
Carbon Risk Score	7.30	6.55

Scores indicate risk level – a lower score reflects a lower ESG multi-factor risk level. ESG score as at 31.01.26. Sustainalytics provides issuer-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Score. Relevant Investment Mandate information is derived from the fund prospectus.

### Investment Guidelines

Sector	Target	Range
Global Fixed Interest	15%	0% – 60%
Australasian Shares	25%	10% – 40%
International Shares	35%	20% - 50%
Global Listed Property	10%	0% – 25%
Global Listed Infrastructure	10%	0% – 25%
Alternative Diversifiers	0%	0% - 15%
Cash or cash equivalents	5%	0% – 30%

See "Salt Statement of Investment Policy and Objectives, 30 June 2022"

### Fund Allocation at 31 January 2026

Global Fixed Interest	14%
Australasian Shares	27%
International Shares	33%
Global Listed Property	12%
Global Listed Infrastructure	10%
Alternative Diversifiers	1%
Cash or cash equivalents	3%
Asset allocation to Fixed Interest + Cash	17%

### Fund Performance 31 January 2026

Period	Fund Return (before tax and fees)	Gross Reference Portfolio Return*
1 month	-1.09%	-0.73%
3 months	-1.03%	-0.45%
6 months	1.85%	5.86%
1 year	2.20%	7.84%
2 years p.a.	9.31%	12.25%
3 years p.a.	9.16%	10.80%
Since inception p.a.	5.15%	6.22%

Performance is before fees and PIE tax and is adjusted for imputation credits. Reference Portfolio return is also gross. \* at 31 January.

### Top Individual Holdings

Fisher & Paykel Healthcare	US 10Yr Note (CBT) Mar 26
NZD Cash	Alphabet A
Auckland International Airport	Taiwan Semiconductor
US 5Yr Note (CBT) Mar 26	Contact Energy
Infratil	SAP

As at 31 January 2026

### SALT FUNDS MANAGEMENT

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## Market Commentary

- January was a volatile month for financial markets largely due to geo-political developments. The year started with a US intervention in Venezuela to remove President Maduro. This was followed by threats by President Trump to impose tariffs on European countries opposed to his takeover of Greenland. Tensions eased somewhat following meeting at the World Economic Forum in Davos.
- Despite the political noise, Developed Market equities ended the month up in USD over the month, but down -2.8% in NZD terms, on the back of better-than-expected activity data and soft inflation prints. The Global Aggregate bond index rose a more muted +0.9% (in USD) over the same period with yields rising due to the strong activity data, fiscal concerns and an intensification of political pressure on the US Federal Reserve by the Trump administration.
- Activity data was generally stronger than expected in the US with industrial production and retail sales coming in above expectations. And while non-farm payrolls came in below expectations, the unemployment rate fell to 4.4%. The combination of solid activity growth, an unemployment rate close to trend and inflation above target saw the US Federal Reserve leave interest rates unchanged at the end of the month after three consecutive 25bp cuts.
- Economic momentum across the European Union remained subdued, with weak industrial activity and only a tentative recovery in consumption. Inflation data supports the European Central Bank being on hold for the foreseeable future.
- Japan saw a significant rise in bond yields during the month. Japan's already fragile fiscal position has been further challenged following Prime Minister Sanae Takaichi's decision to call a snap election (for February 8th) alongside pledges to cut food taxes for two years. The BoJ left interest rates unchanged over the month.
- China's annual average growth of +5.0% for the calendar year was in line with the official target, but there was a noticeable slowdown into the end of the year with the December quarter coming in at +4.5%, down from 4.8% in September. If the Chinese leadership intends announcing a GDP target of 4.5% for 2026 at the upcoming National People's Congress in March, more stimulus will be required.
- Inflation data continued to surprise to the upside over the month in Australia. That combined with labour market data showing a sharp fall in the unemployment rate to 4.1% had markets pricing a 75% chance of an interest rate hike at the RBA's February meeting.
- Strong activity data and a higher-than-expected inflation print in New Zealand has seen markets bring forward expectations of the start of the next interest rate hiking cycle. Markets now see the first full 25bp hike in September and a total of two hikes by the end of the 2026 year. This compares with latest RBNZ projections of a first hike in February 2027.

## Salt Capital Growth Fund Commentary

**The Salt Capital Growth Fund slipped by -1.09% (before fees) in January and by -1.03% for three-month period (before fees). For the six-month period, the Growth Fund rose by 1.85% and for the year, it gained 2.2% (before fees) with the two-year annualised return at 9.3% p.a. (before fees.) The Fund logged a three-year annualised return of 9.2% p.a. (before fees) through to the end of January.**

After leading up until June 2025, the Fund's gross return remained well behind its Reference Index' gross return for the full year to January 2026. A lag of the Reference Index return developed after last April, due to stock selection in global equities, while outperformance by global property, infrastructure and bonds and the NZ equities component has recently aided the fund's performance. However, our Quality focus in global shares has not been effective since the US Tariff pause, leading to a lag. Global shares are the largest single asset class within the Capital Growth Fund, so an index underperformance drags.

Internationally, major central banks are communicating to investors that they remain growth-supportive, although rate reductions will not be automatic, as inflation risks remain. The final impact on consumer and producer prices from President Trump's tariff initiatives remains to be seen but do concern the Federal Reserve. The US central bank, the Bank of England, European Central Bank, the Bank of Canada, Swiss National Bank, the Reserve Bank of Australia and the Reserve Bank of NZ have all cut rates, and there is scope to continue in the US in 2026.

In 2025, there were phases of market optimism about the demand outlook evolving into a benign outcome for the underlying economies. Markets have more recently reconsidered the scale of likely easings in the US. As trade deals became more tangible, the markets stabilised and recovered through June - December, however, much detail remains unclear. Tariff risks remain, though markets are now more used to aggressive US trade policies. Unforeseen inflation would change that.

Fixed interest value persists in segments, however, with credit spreads tight and a trend to higher Sovereign yields developing, we held a small underweight to Global Fixed income within the fund, at a 14% allocation. This held "Growth" asset types in the Fund to a dynamic allocation of 83%. Global equities' weighting was held at -2% underweight, at 33% of the Fund. We kept the overweight to global property to +2% and retained the Growth Fund's neutral position in global infrastructure. The Fund's Cash level was likewise held at 3%.

Having gained more confidence that the NZ domestic economy is past the worst of its marked recent weakness, we moved into an overweight position in New Zealand equities, lifting the dynamic allocation to 27% in the fourth quarter and holding this exposure into the start of 2026.

Domestic assets made up 31% of the Fund, reflecting our reduced preference for International Assets (69% of Growth Fund assets.) Our overweight position in global property was trimmed, given superior value and quality cashflows, as well as lower exposure to US trade / tariff risks, compared to other sectors. We see global real assets as still reasonably valued and showing scope for continued performance.

While the Global equities allocation is presently low (-2% u/w,) we see this as prudent, given the reliance on a narrow sector breadth and optimistic assumptions of Federal Reserve easing much in 2026.

The key positive absolute contributions to returns in January month came from the Salt Select Global Listed Infrastructure Fund, which added +0.33% for the period, and the Select Global Listed Property Fund, which added +0.24%. This positive impact was offset by negative contributions from the Select Global Shares Fund of -1.62% and the Core NZ Shares Fund, of -0.18% for the January month.

Global Shares continued lagging the Index, exerting a strong negative pressure on the Capital Growth Fund's performance compared to its Strategic Asset Allocation simulated return since last May. That reflects the Fund's specific Quality-stock biases and fundamentals-based approach, which has excluded much participation in the momentum rally focussed on A.I. which developed since mid-April.

We do not consider here will be a substantial reversal in the Global Shares Fund's contribution until a more volatile shift in US market leadership. While there are some early signs that this might be developing, the momentum behind the AI narrative persists.

In addition, the carbon-light nature of the Select Global Shares Fund does periodically preclude it from making a positive contribution in line with a US equity market that was led by substantial gains in Energy and Materials Mining sectors in January. That is consistent with the sustainability objectives embedded in our portfolio management.

By not fully participating in the global AI componentry and media-led equity market rally for most of last year, the Select Global Shares Fund has imposed a near-term opportunity loss on the Salt Capital Growth fund, in terms of its relative return level. At the same time, it is contended that the risk of enduring capital loss is below that of more index-proximate equity funds, allowing compounding in capital gains.

The compounding absolute return level of the Capital Growth Fund remains above target, at +9.2% p.a. (gross) in the 3 years to 31 January.

## Salt Capital Growth Fund outlook

As the largest current individual Salt Capital Growth Fund component, the Salt Select Global Shares Fund's returns are of substantial influence on the Capital Growth Fund's overall return.

The chip-and consumer-facing technology bias to the global equity markets' returns profile has been a drag on the Capital Growth Fund in the nine months since May. Optimism about the US share market's outlook under Donald Trump's presidency accelerated into June - October, with a significant rush particularly by retail investors back into the equity market - particularly the big Tech names, and a wide variety of "meme" or story-stocks (many with limited profitability at present.) The Salt portfolio is currently slightly underweight to the USA, and suffered accordingly. It prefers overweighting Developed Europe and the UK.

The Morgan Stanley view is that US markets are signalling confidence in economic growth, a GenAI-related capex boom and faster spending enabled by the 2025 tax bill. Equity markets have diverged from ISM manufacturing activity since 2022, despite historical correlation. Our reading of that is that, beyond discounting a bright outlook, dynamics reflect extreme concentration not trickling down to the broader economy.

Rather, "Mag 7" capex is benefiting a small, self-contained ecosystem, suggesting that hopes for 2026 growth and profit reacceleration for the other "493" may disappoint, rewarding Quality.

The danger for investors is being "whip-sawed" by attempting to adjust too quickly to the blizzard of Trumpian disruptive announcements. We do not have much confidence that either the positive or the negative bombshells of the US Administration will settle in a coherent manner for some time, so prefer a prudent, slightly defensive portfolio positioning with Growth-asset exposure tilted in favour of Real assets (currently, via an overweight in Global Property.)

Conditions are set to remain volatile and unpredictable and could deteriorate, particularly if more import tariffs become reality, as the rhetoric has warmed up recently, and existing tariffs bite profits from now onwards. It seems that costs to US importers of Asian manufactures will assuredly be higher, with the degree of US CPI pass-through still uncertain. Margins will be under rising pressure into 2026.

The Salt Core NZ Shares fund is the second-largest Capital Growth Fund component. The New Zealand equity market has a defensive orientation, which has at times assisted in the relative resilience of domestic shares during the turbulence of recent years, and a fairly advantageous dividend yield. Reserve Bank easing has improved domestic business confidence, and the equity market has rallied from April 2025, though investors still await any significant improvement in the earnings outlook. NZ shares are not immune to any potential for additional negative sentiment shifts from abroad, of course.

However, our neutral strategy was upgraded to a small (+2%) overweighting, warranted by piecemeal domestic improvements, ahead of more recovery momentum into 2026.

Global Infrastructure and Global Property are also sizeable Capital Growth Fund components. Given the disruptions to broad global equities under the Trumpian tariff regime, listed Real Assets proved resilient as 2025 has progressed. Most recently, Infrastructure has been the stronger segment, despite sticky long bond yields that have yet to provide substantial support by moving markedly lower for long. Over the twelve months to January, Global Listed Property gained 9.6% and Global Listed Infrastructure, +16.2% (gross returns) in our Salt funds.

We expect the Real Asset rebound to continue its momentum in 2026, as some valuations in these sectors are attractive. However, this will come in fits and starts, as interest rates remain volatile, and substantial super-stimulatory easing is not on the table from central banks. Risks arise on the US front, given policy swings affecting the fiscal outlook.

With elevated geopolitical risk and the very strong global equity market returns booked over the last 24 months, we prefer to be slightly defensive on broad global equities until greater clarity on economic policy, geopolitics, profits and the future interest rate track emerge.

Presently we see continuing scope for instability, which argues for a continuing degree of caution, given market valuations that still lack widespread value and unpredictable political initiatives affecting the dominant US equity market. Tariff-driven price increases will become ever more visible in tightening company margins. The slowing US labour market could worsen into a retail demand decline. It is uncertain how far the Federal Reserve can ease monetary conditions to combat this.