

SALT

Salt Select Global Fixed Income 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.

Fund Name Change

As of 13 June, the Salt Sustainable Global Fixed Income Opportunities Fund was renamed the **Salt Select Global Fixed Income 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

The primary objective of the Fund is to target and generate an attractive rate of return over a full three-to-five-year market cycle. To achieve this, the Fund targets a portfolio of global fixed income securities with enhanced total return potential and superior sustainability characteristics.

The objectives of this top-down selection process are to:

1. Reduce exposure to material ESG risk and negative sustainability impacts, through restriction screening of controversial sectors such as weapons, tobacco and some fossil fuels, as well as international norms violations;

2. Tilt the portfolio in favour of the 80% strongest sustainability performers across corporates, by sub-sector, and sovereigns; and
3. Contribute to positive outcomes based on key sustainability themes, with a particular focus on low carbon intensity.

The Fund will invest at least 50% in investment grade bonds, and a minimum of 15% in sustainable bonds. The fund targets its returns to be 100% hedged to the New Zealand dollar.

Fund Facts at 31 January 2026

Benchmark for ESG purposes only	Bloomberg Global Aggregate Index (NZD hedged)
Fund Assets	\$203.4 million
Inception Date	10 February 2023
Underlying Manager	Morgan Stanley Investment Management
Average credit rating	Standard & Poor's A- / Moody's Baa1
Effective Duration	4.00 years

Unit Price at 31 January 2026

Application	1.0723
Redemption	1.0711

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Fund Allocation at 31 January 2026

Global fixed income securities	93.0%
Cash, FX, short term & sundry	7.0%

Fund Performance at 31 January 2026

Period	Fund Return (Gross incl. ICs)
1 month	0.50%
3 month	1.05%
6 month	3.41%
1 year	6.56%
2 years p.a.	6.10%
Since inception p.a.	5.97%

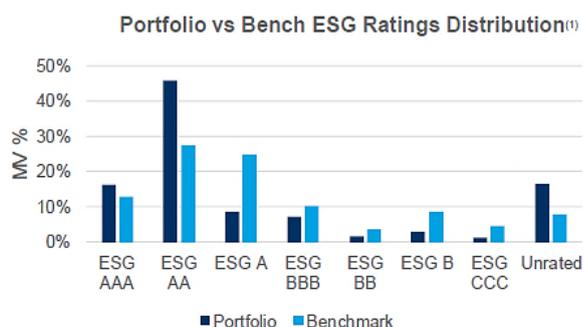
Performance is gross of fees and tax. Data as of 31 January 2026.

Sustainability scoring and Emissions intensity

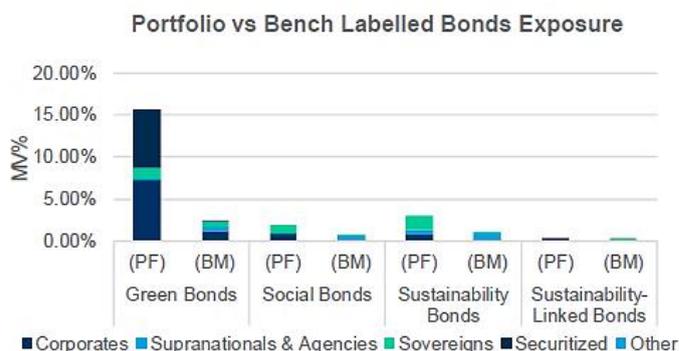
Fund ESG Dashboard	Port.	Agg.	Fund YTD change
In-House ESG Research coverage (% Market Value)	74.8%	76.5%	0.00%
Green, plus Social, Sustainability and Sustainability-linked bonds	18.0%	4.3%	0.00%
Sustainable SBTi approved / committed targets	23.3%	38.5%	0.00%
CO2 Footprint Scope 1&2 (tCO2e/\$mn emission intensity)	62	194	0.00%
CO2 Footprint Scope 3 (tCO2e/\$mn emission intensity)	480	727	0.00%

Negative Indicators			
- Red Flags	0.0%	0.1%	0.0%
- CCC MSCI Rated	1.1%	4.3%	0.0%

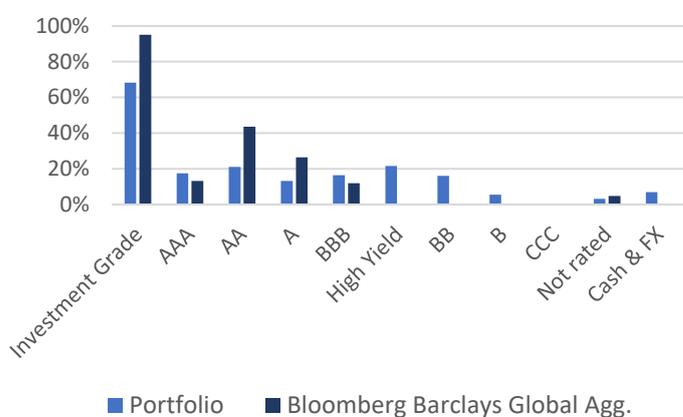
Source: MISM Monthly Investment Report/ MSCI ESG Research at 31 Jan. 2026



Portfolio labelled bonds exposures by type



Fund credit ratings vs. Bloomberg Barclays Global Agg.



Source for charts: MISM as at 31 January 2026

Portfolio Review

- In the one-month period ending 31 January 2026, the portfolio returned +0.50% (before fees & tax.) January's performance was primarily driven by exposure to macro positioning. The Global Aggregate bond index (NZD hedged) rose 0.14%.

Macro Strategies:

- Euro rates added to absolute returns in January as core yields edged lower into month-end and the curve delivered supportive roll-down. With policy unchanged since the ECB's December decision (deposit rate 2.00%), the stable backdrop and gentle rally in intermediates helped both duration and our curve expressions to contribute.
- Exposure to U.S. rates weighed on absolute returns as Treasury yields stayed elevated into month end and the curve maintained a modestly steeper tone. A steady FOMC, holding the policy range at 3.50%–3.75% and characterizing stance as roughly "neutral to somewhat restrictive", did little to loosen financial conditions, leaving carry positive but directional longs exposed when term premium remained sticky. The portfolio's curve steepener bias helped offset some losses, but higher long end yields were the dominant driver of the drag.

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- FX positioning significantly added to performance, with gains primarily driven by developed-market currencies.

Spread Sector Exposures:

- Securitized added to returns, led by non-agency RMBS, where resilient collateral and disciplined underwriting kept credit performance stable and spreads supported, allowing carry and security selection to do the work.
- Agency RMBS also contributed as early month demand firmed, and technicals improved, lifting basis and rewarding balanced convexity profiles. Non agency CMBS and ABS added incremental gains amid a constructive tone and active primary markets, with risk appetite broadening beyond core mortgage risk into seasoned commercial and consumer shelves.
- Credit spreads added to performance, driven by the portfolio's exposure to investment grade corporate credit. High-yield corporates also positively contributed, supported by still firm risk appetite, high carry and spreads holding near historically tight ranges.
- Covered bonds contributed as well.

Strategy changes

- Overall, portfolio duration was increased by 0.35 years, closing at 4.00 years reflecting a disciplined stance amid a calmer macro backdrop and supportive technicals. The portfolio added selectively to high conviction markets, most notably UK duration, where carry and roll remained favourable.
- The portfolio marginally increased its short USD exposure versus a diversified basket of EM currencies, maintaining a constructive view on EM FX.

Market Review and Outlook:

January opened the year with a notably calm macro backdrop and strong technical demand across fixed income markets. Despite concentrated pockets of idiosyncratic stress, both geopolitical and financial, spreads generally tightened or proved resilient, supported by abundant liquidity, heavy reinvestment flows, and a sizable pool of sidelined cash following year-end de-risking. Elevated supply across sectors was readily absorbed, reinforcing a constructive technical environment and limiting downside pressure on spreads.

A key macro development during the month was the announcement of Kevin Warsh as the next Federal Reserve Chair, which helped reduce tail risks around Fed independence. The appointment reversed a nascent market narrative that had begun to price a near-term inflation shock, triggering a sharp unwind in inflation-sensitive assets and contributing to a calmer global rates backdrop.

Curve steepening persisted during the month—driven by improved policy credibility further out the curve and structural shifts in long-duration demand—but proved broadly supportive for yield-oriented fixed income sectors amid stable macro conditions and contained volatility.

Investment grade credit had a very strong January across both U.S. and European markets, with spreads tightening by roughly 5bps in the U.S. and 4bps in Europe, leaving both indices near the 73–74bps level. Record January issuance was well absorbed as strong inflows and elevated cash balances from December de-risking provided highly supportive technicals.

Financial issuers dominated supply and outperformed, benefiting from limited duration exposure, strong earnings, and resilient balance sheets, keeping IG spreads tight and range-bound despite the heavy calendar.

High yield delivered solid returns during the month, though performance was uneven as idiosyncratic volatility picked up across select sectors. Spreads finished January largely unchanged around 265bps, while yields edged modestly higher to 6.58%.

Weakness in packaging, software, healthcare, and select financial issuers highlighted the importance of security selection in a low-beta environment. Software-related volatility, driven by isolated negative headlines and fast-money flows, led to exaggerated price moves even among fundamentally sound BB credits, underscoring how quickly sentiment can shift despite manageable net issuance and supportive technicals.

Emerging markets remained resilient in January, with limited drawdowns and a consistent pattern of dips being bought, reflecting strong underlying demand across both hard-currency credit and local markets. Flows continued to benefit from diversification away from U.S. assets, supported by improved self-funding discipline following several years of capital scarcity.

Country-specific developments drove dispersion, with China's continued pivot toward tech-led growth supporting targeted exposure, Indonesia facing pressure following an MSCI downgrade, and India's less-conservative-than-expected budget prompting an 8–10bps sell-off in local rates.

Securitized markets delivered another strong month, with spreads tightening broadly across subsectors despite a heavy January issuance calendar. Robust inflows supported oversubscribed deals, many of which priced 5–10bps tighter than expectations.

Agency MBS benefited early in the month from policy headlines around a \$200bn GSE purchase program, leaving spreads meaningfully tighter year-to-date despite some retracement. Improving sentiment in CMBS, stable housing fundamentals, and limited impact from political rhetoric reinforced a technical-driven environment in which demand continued to outweigh supply.

Fixed Income Outlook - Key themes for 2026 include: Developed Market Rate/Foreign Currency (Neutral duration, curve steepeners and USD underweight)

Following the recent repricing of inflation risk and a stabilization in global rates volatility, we maintain a neutral duration stance across developed markets, complemented by targeted regional expressions. The announcement of Kevin Warsh as the next Fed Chair has helped reduce tail risks around Federal Reserve credibility, reinforcing a backdrop in which rates are more likely to trade within established ranges rather than reprice sharply. Within this environment, carry is expected to remain the dominant driver of returns, though opportunities to harvest carry vary meaningfully by region.

In the U.S., we are neutral on outright Treasury duration and currently neutral on the curve, reflecting the view that much of the steepening driven by rising term premia has already been priced. Our working range for the U.S. 10-year remains 3.95–4.25, and despite yields sitting near the top of that band, we are holding off on adding duration. While curve steepening pressures remain structurally intact—driven by persistent fiscal deficits, elevated issuance, and reduced central bank balance-sheet demand—near-term risk-reward has become more balanced following the recent repricing.

The U.S. macro backdrop entering 2026 remains strong, with real GDP growth consistently exceeding expectations and high-frequency indicators pointing to elevated nominal growth supported by resilient consumption, healthy real income growth, and highly expansionary fiscal conditions.

Against this backdrop, market pricing for the Fed appears slightly too dovish, with close to two cuts priced for 2026 that would leave policy only marginally restrictive—an outcome we do not expect to be fully realized. In inflation-linked markets, we are now neutral on U.S. breakevens following the unwind in inflation-hedge positioning, while retaining flexibility to re-engage should valuations become more attractive.

Outside the U.S., we continue to hold curve steepeners in Germany and France, primarily in the 5s–30s and 10s–30s segments, where structural forces continue to pressure the long end and offer more attractive carry and roll dynamics than in U.S. rates. Similar steepening structures remain in place in the UK and Australia, where fiscal dynamics and issuance profiles continue to support curve-based expressions over outright duration. In Japan, we are neutral on duration following the repricing of policy normalization expectations earlier in the year. While the market has adjusted meaningfully to the Bank of Japan's trajectory, weaker technicals and elevated issuance needs continue to differentiate Japan from other developed rates markets.

In foreign exchange, we remain tactically bearish the U.S. dollar, reflecting earlier Fed easing relative to peers, tariff-driven inflation dynamics, and a shift in foreign financing toward U.S. equities that weakens traditional USD demand. We have increased exposure to higher-carry EMFX, with positioning primarily in the Mexican peso in select aggregate accounts and more broadly in the Brazilian real. These positions reflect our view that, in a benign volatility environment, carry-driven FX strategies can continue to perform, while remaining selective given ongoing policy and geopolitical risks.

Emerging Market Debt (Overweight)

Emerging market sovereign and corporate debt remains an attractive opportunity for 2026, particularly in a benign global macro environment where carry and income are likely to be key drivers of returns. Lower inflation, elevated real yields, and credible reform momentum across several countries underpin a supportive backdrop, while valuations—especially in local markets—remain attractive.

Many EM currencies also remain undervalued relative to the U.S. dollar, reinforcing the case for selective exposure. Dispersion across countries remains high, making policy discipline and country selection critical, with preference for markets exhibiting credible monetary frameworks, improving fundamentals, and attractive real yield differentials versus developed markets.

Corporate Credit (Underweight IG, small overweight HY)

We remain underweight investment grade credit, reflecting tight valuations and asymmetric risk rather than any near-term deterioration in fundamentals. While balance sheets remain healthy—characterized by strong liquidity, low downgrade risk, and conservative leverage—spreads are tight by historical standards, leaving little margin for error. January's exceptionally strong technical backdrop and well-absorbed issuance have reinforced spread resilience, but at current levels, even modest spread widening could materially erode excess carry, particularly given longer spread duration.

Looking ahead, elevated issuance of long-dated debt to fund AI-related capital expenditure, alongside an active M&A pipeline, has the potential to challenge technicals over time, especially if volatility normalizes or investor demand softens.

Regionally, we prefer Europe over the U.S., supported by more balanced supply dynamics. From a sector perspective, we favour financials—particularly banks—given strong capital positions, resilient earnings, and limited net supply, while remaining underweight single-A non-financials where M&A risk is more acute.

We maintain a modest overweight to select high-yield issuers in both the U.S. and Europe. Fundamentals remain supportive, with improved average credit quality, low default rates, and manageable leverage. While spreads are near post-crisis tight, the higher carry, shorter spread duration, and increased issuer dispersion continue to create opportunities for security-level positioning.

Recent episodes of idiosyncratic volatility underscore the importance of selectivity, but defaults are expected to rise only modestly and remain contained, supporting ongoing investor demand.

Leveraged Loans (Underweight)

We expect heavier net supply and rising dispersion in leveraged loans. While CLO demand remains a key technical support, economically sensitive sectors are showing signs of strain, contrasting with strength in software and technology-linked issuers. Given expectations for Fed rate cuts, we prefer fixed-rate exposure over floating-rate assets and remain underweight the asset class.

Securitized Products (Overweight)

Agency mortgage-backed securities (MBS) and non-agency residential mortgage-backed securities (RMBS) remain our highest-conviction overweight for 2026. Our overweight to agency MBS delivered strong absolute, excess, and relative returns in 2025, supported by favourable curve dynamics, low implied volatility, and a steady improvement in market technicals. Entering 2026, agency MBS continue to offer an attractive spread pickup relative to both historical levels and other core fixed income sectors, providing compelling relative value versus investment grade corporates and cash alternatives.

Technical factors remain the dominant driver of performance. Demand for agency MBS is supported by strong money manager interest in high-quality collateral with attractive carry, alongside a measured and well-telegraphed pace of Federal Reserve balance sheet runoff that has limited net supply pressure. While policy rates may remain restrictive, the predictability of the policy path and contained volatility have reinforced a supportive environment for spread sectors such as agency MBS.

Non-agency RMBS also offers an attractive opportunity set, underpinned by stable home prices, low loan-to-value ratios, and historically low delinquency rates. Supply-demand dynamics remain favourable, with limited new issuance and minimal refinancing risk given the high proportion of borrowers locked into low mortgage rates. These factors continue to support the sector's resilient credit profile and attractive carry characteristics.

Within commercial mortgage-backed securities (CMBS), fundamentals remain resilient, particularly in higher-quality segments, and sentiment has continued to improve. We see attractive opportunities in hospitality—especially luxury and trophy properties—where demand trends and cash flows have stabilized. Office CMBS presents selective value, supported by improving occupancy trends and a more stable rate environment, while logistics, storage, and high-quality multifamily assets continue to exhibit strong operating performance. Dispersion across property types and geographies is increasing, making selectivity critical, with a focus on the SASB (single-asset, single-borrower) market to maintain transparency and control over underlying cash flows.

Lastly, we remain constructive on Danish covered bonds. The market's depth, strong legal framework, and backing by a politically stable economy and resilient housing market support its defensive characteristics. Valuations remain compelling for high-quality assets, and the steep Danish government curve continues to offer attractive USD-hedged yields for global investors.

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