

SALT

Salt Capital Growth Fund Fact Sheet – September 2025

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 30 September 2025

Benchmark	NZ CPI +5% over 5 years
Reference Portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	\$64.17 million
Inception Date	15 September 2021
Portfolio Manager	Greg Fleming

Unit Price at 30 September 2025

Application	1.1885
Redemption	1.1836

Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category ave
Morningstar ESG score	16.92	25.00

Scores indicate risk level – a lower score reflects a lower ESG multi-factor risk level. ESG score as at 31.08.25. 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 30 September 2025

Global Fixed Interest	16%
Australasian Shares	25%
International Shares	33%
Global Listed Property	13%
Global Listed Infrastructure	10%
Alternative Diversifiers	1%
Cash or cash equivalents	2%

Asset allocation to Fixed Interest + Cash **18%**

Fund Performance 30 September 2025

Period	Fund Return (before tax and fees)	Gross Reference Portfolio Return*
1 month	1.61%	2.86%
3 months	3.74%	6.65%
6 months	4.91%	9.64%
1 year	8.20%	12.69%
2 years p.a.	14.24%	15.62%
3 years p.a.	11.72%	12.41%
Since inception p.a.	5.80%	6.44%

Performance is before fees and PIE tax and is adjusted for imputation credits. Reference Portfolio return is also gross. * at 30 September.

Top Individual Holdings as at 30 September 2025

Fisher & Paykel Healthcare	SAP (DE)
US 10Yr Note (CBT) Dec 25	US 5Yr Note (CBT) Dec 25
Infratil	Contact Energy
Auckland International Airport	Ebos Group
Microsoft	RELX (UK)

SALT FUNDS MANAGEMENT

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Market Commentary

- The September quarter saw positive returns across most global asset classes, fuelled by heightened expectations of interest rate cuts in the United States and an easing of trade tensions. However, bond markets were volatile through the quarter as fiscal sustainability concerns also became a focus.
- In the US, weak employment growth coincided with slower than expected pass-through of higher tariffs into consumer prices, resulting in a cautious 25bp cut in the Fed funds rate by the FOMC, the first rate cut this year. However, with the unemployment rate still low and a core PCE inflation rate that is knocking on the door of 3%, “Fed-speak” turned more cautious later in the quarter.
- In Europe, the economy is proving more resilient than expected to the changing global trade environment. The ECB left interest rates on hold at its most recent meeting, and with latest inflation data ticking higher, appear likely to keep interest rates unchanged for the time being.
- Fiscal sustainability issues are proving politically challenging everywhere, but France was the key focus over the quarter. In a continuation of the political instability that has dogged President Macron since his ill-fated decision to hold legislative elections last year, Prime Minister Francois Bayrou’s government lost a confidence vote in the French National Assembly in early September. This was quickly followed by a sovereign credit rating downgrade for France by Fitch Ratings.
- In Japan, equity markets continued to benefit from the better-than-expected trade deal with the US. However, there was a sell-off in JGB’s, fuelled by Japan’s own political instability and a hawkish September meeting of the Bank of Japan.
- China’s share market benefitted from a further extension to their fragile trade truce until November. The government also announced its intention to triple chip supply by 2026, supporting the technology sector. Economic activity was generally soft, supporting calls for further stimulus.
- The Reserve Bank of Australia followed its August interest rate cut with a hold in September. Data since the August meeting has shown recovering growth, ongoing tightness in the labour market and upside surprises in most recent inflation data. The RBA appears to us to be on hold for the foreseeable future.
- In New Zealand, the RBNZ’s dovish pivot at its August meeting was justified by a weaker than expected June quarter GDP result. Markets have reacted by pricing in even further interest rate cuts. Risks are skewed to the downside.

Salt Capital Growth Fund Commentary

The Salt Capital Growth Fund rose by 1.61% (before fees) in September and by 3.74% for three-month period (before fees). For the six-month period, the Growth Fund rose by +4.9% and for the year, it gained 8.2% (before fees) with the two-year annualised return at 14.2% p.a. (before fees.) The Fund logged a three-year annualised return of 11.7% p.a. (before fees) through to the end of September.

After leading up until June, the Fund’s gross return remained behind its Reference Index’ gross return for the year to September. A lag of the Reference Index return developed after April due to stock selection in global equities, while outperformance by global property and bonds and by 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 2025 underperformance.

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 have some scope to continue in the US.

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

Fixed interest value persists and the small overweight to selective bond exposure within the fund was retained, at a 16% allocation. This leaves “Growth” asset types in the Fund at a dynamic allocation of 82%. Global equities’ weighting was held at -2% underweight, at 33% of the Fund. We kept the overweight to global property at +3% and retained the Growth Fund’s neutral positions in New Zealand equities and in global infrastructure. Both strategies have been effective in recent months.

Domestic assets made up 28% of the Fund, reflecting our preference for International Assets (72% of Growth Fund assets.) Our overweight position in global property was retained, given superior value and quality cashflows, as well as lower exposure to US trade / tariff risks, compared to other sectors. We see property as still reasonably valued.

The key positive absolute contributions to returns in the September quarter came from the Salt Core NZ Share Fund fund which added +1.37% for the period, and the Select Global Shares fund, which added +0.71% in the Third Quarter. However, Global Shares continued lagging the Index, exerting a negative pressure on the Capital Growth Fund’s performance compared to its Strategic Asset Allocation since May.

Global Infrastructure added 0.59%, and Global Listed Property contributed 0.44% in the September quarter. The Carbon Fund had a minor negative impact with a -0.1% contribution in Q3. Global Fixed Income’s contribution was a moderate positive, accounting for 0.31% the Capital Growth Fund’s gross quarterly return.

In a reversal of the beneficial Q1 2025 dynamic, the main drag on the Capital Growth Fund's recent benchmark-relative return continued to come from the Select Global Shares fund in Q2 and Q3 2025. 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.

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 international equity fund logged strong absolute returns over the year to 30 September, although it substantially lagged its benchmark, for reasons which related to the dominance of large IT and Artificial Intelligence chip-related companies in global equity returns.

The Magnificent 7—Nvidia (NVDA), Microsoft (MSFT), Apple (AAPL), Alphabet (GOOG/L), Amazon (AMZN), Meta (MET) and Tesla (TSLA), which make up 34.5% of the S&P 500 market value—accounted for 64% of the September 2025 month's S&P 500 total return (+3.65% but +1.33% without the Magnificent 7). The group accounted for 48% of the Index gain from the recent low on April 8, 2025 (+35.07% but 18.28% without the Magnificent 7) and 41% of the YTD return (+14.83% but 8.69% without the Magnificent 7) according to S&P Global Indices.

That chip-and consumer-facing technology bias has been a drag on the Capital Growth Fund in all five months since April. Current optimism about the US share market's outlook accelerated into June - September, 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.

The Morgan Stanley view is that US markets are signalling confidence in economic growth, with cyclical materially outperforming more defensive names amid enthusiasm around a GenAI-related capex boom and faster spending enabled by the recent 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.

We remain cautious on the directions of Donald Trump in the US Presidency, supported by a Republican Senate majority, and its capacity to negatively impact US economic prospects in the years ahead. Policy moves in the post-inauguration period are informative, with putting the Fed under pressure, and erratic geopolitics, becoming main themes.

Conditions are thus set to remain volatile and unpredictable and could deteriorate, particularly if more and higher import tariffs become reality as the “pause on reciprocal tariffs” has expired, and more / higher tariffs can bite from now onwards. At the time of writing, many significant US trading partners have been informed they will be facing higher tariffs than many had assumed during the “pause”. It seems that costs to US importers of Asian manufactures will assuredly be higher, with the degree of US CPI pass-through still uncertain.

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. Further Reserve Bank easing has improved domestic business confidence, and the equity market has rallied from late-April, though investors still await any significant improvement in the earnings outlook. NZ shares are not immune to a potential additional negative sentiment shift from abroad. However, our neutral strategy now has been 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 have proved resilient as 2025 has progressed. Most recently, in Q3 2025, 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 six months to September, Global Listed Property leads gross returns from Global Listed Infrastructure by 1%, though Infrastructure remains ahead over longer periods.

We expect the Real Asset rebound to continue its momentum in late 2025-2026, 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 yet on the table from central banks. Risks arise on the US front, given policy swings affecting the fiscal outlook. We held our overweighting to Global Listed Property, at a 13% Fund position, 3% above the neutral strategic weighting.

Global Listed Infrastructure has performed well over the last year. The 12-month gross return of 8.4% was gratifying and we still support a substantial allocation to the sector within our diversified Growth portfolio. Infrastructure is currently held at a 10% neutral allocation.

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 and the future interest rate track emerge in the US.

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 are really only beginning, and will become ever more visible in tightening company margins. The slowing US labour market could worsen into a retail demand decline.

Finally, geo-political tensions between China and the US appear to be incrementally worsening, though much posturing abounds at present.