Salt Income Fund Fact Sheet – November 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.

Fund Name Change

As of 13 June, the Salt Sustainable Income Fund was renamed the Salt Income Fund. There is no change to investment disciplines or approach; however, this aligns the fund better with current global regulatory trends.

Investment Strategy

The Fund aims to provide a gross fixed quarterly income (after fees and expenses but before tax) in excess of bank deposit rates, along with a positive return on capital on a rolling three-year basis. Deposit rates are proxied by the NZ Bank Bill Index.

A Reference Portfolio is provided, medium-term outperformance of which is a secondary objective, consisting of the weighted sum of components.

The Fund targets a diversified mix of growth and defensive assets, with a focus on securities with reliable income generation. The Fund's strategy is to invest in a quality asset mix to provide regular, sustainable income and a positive return on capital over the medium-term. The value of the fund will fluctuate in line with listed market developments, but the primary focus is enhanced income and thus, shorter-term variability is an expected feature. Income is prioritized above capital gain 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 November 2025

Benchmark	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	$40.20 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 30.11.25	1.125 cents per unit per Quarter / 4.9% per annum

Unit Price at 30 November 2025

Application	0.9311
Redemption	0.9273

Investment Guidelines

Sector	Target	Range
Global Fixed Interest	35%	0% – 60%
Australasian Shares	30%	15% – 45%
Global Listed Property	15%	0% – 35%
Global Listed Infrastructure	15%	0% – 35%
Cash or cash equivalents	5%	0% – 20%

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

Fund Allocation at 30 November 2025

Global Fixed Interest	34.0%
Australasian Shares	32.5%
Global Listed Property	17.5%
Global Listed Infrastructure	12.0%
Cash or cash equivalents	4.0%

Asset allocation to global Fixed Interest + Cash 38.0%

Fund Performance 30 November 2025

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	0.26%	0.67%
3 months	3.92%	2.91%
6 months	8.76%	5.57%
1 year	9.18%	3.95%
2 years p.a.	12.18%	8.91%
3 years p.a.	8.37%	5.63%
Since inception p.a.	4.47%	2.51%

Performance is before fees and tax, adjusted for imputation credits. * at 30 Nov.

Top Individual Holdings

US 5r Note (CBT) Mar 26	NZD Cash
Fisher & Paykel Healthcare	Infratil
US 10Yr Note (CBT) Mar 26	Goodman Property Trust
Precinct Properties NZ	Kiwi Property Group
Auckland International Airport	Contact Energy

The Top 10 holdings constituted 35% of the portfolio.

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Market Commentary

- 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), while the global aggregate bond index was also little changed at +0.2% (in USD).
- 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. The month finished with rates markets putting an 80% probability on a 25bp December rate cut.
- 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 stabilise 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 stronger 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 one 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. Retail sales volumes growth of +1.9% q/q was particularly strong. However, labour market data remained soft, fulfilling its usual role of the last indicator to turn around.

Salt Income Fund Commentary

The Income Fund rose modestly in November month, with a return of 0.26% in the month and a stronger 3.92% for the three-month period (before fees / tax), which generated a one-year return to 9.18% (before fees / tax.) Over the three-year period, the Fund’s gross annualised return was 8.37% p.a. (before fees / tax) which was ahead of its Reference Index for all rolling periods beyond one month.

Among the Income Fund’s components, the strongest contributor in the November month was the Global Listed Infrastructure Fund, which contributed 0.43% to the month’s return. This was followed by the Select Global Fixed Income Fund, which contributed 0.18% (before fees / tax.)

The positively-contributing Fund components were partly offset by some domestically-based assets.

The Salt NZ Dividend Appreciation Fund made by a flat monthly contribution at +0.02% while the Enhanced Property Fund made a negative month’s contribution of -0.51%, after a prior period of strength. October contribution. Meanwhile, the Salt Global Listed Property Fund added 0.06%, reversing October’s small decline.

Markets continue to focus on inflation and trade policy risks affecting the pace of central bank interest rate reductions around the world, with the current negative trade politics likely to keep policy rate cuts incremental. However, recent US labour market weakness has sparked Federal Reserve response, with a precautionary -0.25% rate reduction at the mid-September meeting and another in October, and one further move in December, through the Committee is divided at present on the scope for added easing in 2026. We would anticipate continuing positive impact on the listed Real Asset and Bond returns within the portfolio.

With the US tariff impact still to be fully gauged, more US policy easings may be paused pending better data confidence, given percolating inflationary factors. Domestically, a near-concluded easing path from the RBNZ still assists NZ equity assets as 2026 gets underway and should allow additional catch-up with global asset returns. Diversification of income sources remains very effective, as not all asset yields are equally defensible.

The Fund’s prospective yield is around 1% above current 6-month TD rates, which were again reduced (to an average 3.5%) in the course of November.

Salt Income Fund outlook

As inflation progressively confirms stabilisation (albeit at a higher level than prevailed before Covid) we expect component asset classes to improve further. Several key global economies are transitioning to slow growth, but the specific asset mix in this fund should not be negatively impacted, as valuations are not extended and quality is high overall.

Volatility across markets is ever-present with sentiment somewhat hostage to US political dynamics and global frictions. We expect value gains in interest-rate sensitive assets to continue through early-2026. However, this will continue to be a tentative and at times interrupted process.

US inflation dynamics have stabilised, but Tariff pass-throughs still can endanger the inflation outlooks for producers and consumers alike. The Trump Tariffs' lagged impacts must be factored into inflation pressures once cost increases begin to filter through, and the Federal Reserve is hesitant to blindly endorse any "automatic" cuts. As Chair Powell's term at the helm runs through until May 2026, there may be more political pressure from the Administration ahead.

We believe bond yields adjusted sufficiently (via a volatile and uncertain route in the last 24 months) for us to have re-instituted a small underweight bond positioning within the Income Fund. We consider inflation risk now poses a reduced danger to the capital valuations of bond portfolios. However, yields and credit spreads could potentially lift and widen somewhat, as there is mixed global appetite for debt investing now.

The allocation to bonds is held at -1% below the neutral 35% SAA weight. Due to fiscal risks, particularly surrounding tax policies of the Trump administration, we would move back overweight only incrementally. Recent US economic data suggests increased downside risks to growth and upside risks to inflation for the final stretch of 2025 and into next year. Bond positions need careful selection, and active management, as credit spreads are back at near-record lows.

The NZ economy is still straining to achieve sustained momentum. The Reserve Bank of New Zealand in early September "un-paused" the domestic OCR easing cycle, and doubled the dosage of the easing medicine in October with a -0.5% cut, lowering the Official Cash Rate to 2.5%, and followed up with another -0.25% cut, to 2.25%. This may prove to be the terminal rate in New Zealand for this cycle.

This gives scope for improved NZ asset returns, supporting shares, with the domestic economy beginning to show a little self-sustaining recovery impetus. Income yields received into the Fund remain attractive by historical standards as domestic 6-m Term Deposit rates fell quickly to just above 3.5% p.a. currently. We expect no reversal in this trend within the next six months. This underscores the attractiveness of the yield stability demonstrated by the Salt Income Fund.

We anticipate the longer-term capital growth strategies within the Salt Income Fund will support performance, as inflation and domestic growth conditions are improving. However, there is still a soft economic period to traverse en route to that outcome in New Zealand. Hence, the sourcing of Fund income from a globally-diversified set of stable yielding securities. Yields on global fixed interest have improved, reflecting risk assessments by bond investors globally, but spreads over sovereign yields remain tight.

As economies respond to a degree of stimulus with asset revaluations, we expect beneficial capital growth impacts to flow through. This positive portfolio role will likely be a key feature of total returns in the remainder of 2025 and into 2026, although a US economic weak patch can disrupt it.

The volatility in global markets in response to the Trump April "Liberation Day" tariff announcements, as well as the vigorous "relief bounce" since the August deadline passed, have had less immediate impact on solid, income-producing securities such as those we favour in this Fund, than on more growth-sensitive asset types, and we expect that to continue. Global risks continue, from the Trump Administration's impact on confidence.

As the primary objective of the Salt Income Fund is to invest in quality sustainable yield payers, minimizing short-term capital price fluctuation is secondary. Market volatility allows us to acquire high quality and defensible dividend-paying assets for the Fund at better prices.

Distribution of 1.125 cents per unit / quarter retained

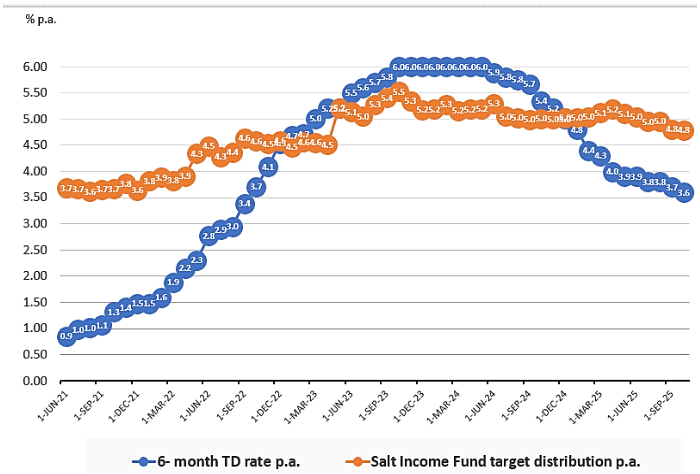
Stable component asset yields enable us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which was paid out / reinvested in mid-November.

The silver lining in the bond market's repricing is that the yield received from selective bond investments shifted into a higher range and that supports the Income Fund's forward distribution path. This is characteristic of a transition into a mid-level interest rate regime which may endure for years, rather than months, ahead. It is crucial to note that the Income level from equity dividends and bond coupons received into the fund has been commensurately stable through periods of market turbulence. Global credit spreads widened after the US tariff shock, but then tightened and remain historically low, limiting potential for revaluation upside from Investment Grade and lower-rated bonds.

The fund's modelled income received from coupons and dividends remains aligned with its prospective distribution yield. We regard this as prudent, in a still-uncertain environment. The Real Asset components of Infrastructure and Property are well-suited to the immediate period ahead, as central bank policy rates progressively stablise at lower levels. Defensive merit should continue to be asserted in coming months through renewed demand for these specific "Real Asset" equity types, along with the sustainable dividend-payers in the broader Australasian market.

Finally, the lowering of the NZ Official Cash Rate has substantially reduced the Term Deposit rates being offered by domestic banks, and we anticipate the downtrend in the indicative benchmark of the NZ Bank Bill rate and the 6-month Term Deposit rates to stabilise, with unappetising term deposit rates on offer across a range of maturities from the banks in 2026.

Income Fund's forward distribution rate vs. Term Deposits



Source: Salt, RBNZ (data to 30 November 2025)