
# Salt Income Fund Fact Sheet – May2026

## 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 June 2025, 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 31 May 2026

| | |
|---|---|
| **Benchmark** | Bank deposit rates (BNZBIL Index) |
| **Reference portfolio** | SAA-weighted component benchmark indices' performance |
| **Fund Assets** | $39.71 million |
| **Inception Date** | 19 June 2021 |
| **Portfolio Manager** | Greg Fleming |
| **Prospective distribution yield (cents per unit) / based on Unit Price of 31.05.26** | 1.125 cents per unit per Quarter / 5.0% per annum |

## Unit Price at 31 May 2026

| | |
|---|---|
| **Application** | 0.9047 |
| **Redemption** | 0.9010 |

## 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 31 May 2026

| | |
|---|---|
| **Global Fixed Interest** | 33.0% |
| **Australasian Shares** | 33.5% |
| **Global Listed Property** | 17.5% |
| **Global Listed Infrastructure** | 13.0% |
| **Cash or cash equivalents** | 3.0% |

**Asset allocation to Global Fixed Interest + Cash 36.0%**

## Fund Performance 31 May 2026

| Period | Fund Return (before fees and tax) | Gross Reference Portfolio Return* |
|---|---|---|
| **1 month** | 0.91% | 0.56% |
| **3 months** | -1.87% | -2.19% |
| **6 months** | 0.23% | 1.35% |
| **1 year** | 9.01% | 7.00% |
| **2 years p.a.** | 9.37% | 7.03% |
| **3 years p.a.** | 8.17% | 6.16% |
| **Since inception p.a.** | 4.06% | 2.53% |

Performance is before fees and tax, adjusted for imputation credits. * at 31 May.

## Top Individual Holdings

| | |
|---|---|
| Fisher & Paykel Healthcare | Precinct Properties NZ |
| US 5Yr Note (CBT) Jun 26 | Auckland International Airport |
| US 10Yr Note (CBT) Jun 26 | Goodman Property Trust |
| NZD Cash | Infratil |
| US 10Yr Ultra Future Jun 26 | Kiwi Property Group |

As at 1 May 2026

SALT



## Market Commentary

- Following April's surprising resilience, equity markets made further gains in May as investors priced in a de-escalation in geo-political 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 was still expected in June to anchor inflation expectations, which eventuated with the first hike since 2023.
- 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.

## Salt Income Fund Commentary

**The Income Fund rose +0.91% (before fees) in May month, with a gross return similar to in April, which generated a robust one-year return of +9.01% (before fees / tax.) Over the three-year period, the Fund's gross annualised return was 8.17% p.a. (before fees / tax) which was ahead of its Reference Index for all rolling periods beyond six months.**

Among the Income Fund's components, the strongest positive contributor in the May month was the Salt NZ Dividend Appreciation Fund which contributed +0.70% to the month's return. The Salt Enhanced Property Fund made a +0.38% impact, while the Salt Select Global Fixed Income Fund (+0.17% month's contribution) was also resilient in the face of turbulent global headlines. There were small negative contributions logged in the May month, from the Salt Global Listed Property Fund and the Global Listed Infrastructure Fund, with contributions of -0.03% and -0.38%, respectively.

Markets continue to focus on inflation, war in the Gulf, 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 at best. However, the US Federal Reserve's Open Market Committee is divided at present on the scope for easing in 2026, and demurred from moving the Fed Funds Rate in recent FOMC meetings. The balance of Fed opinion has moved toward keeping rates on hold, as Kevin Warsh takes over the Chair from Jerome Powell (who remains a Governor.)

Inflation drivers deteriorated in US April and May data, and will continue to be to the upside given the impact of oil and energy prices on general price level. We would anticipate continuing supportive impact on the listed Real Asset and Bond returns within the portfolio from investors seeking out greater stability and surety, and this has indeed been seen so far in 2026, although periods of weakness in sovereign bond markets will impact the interest-rate sensitive equities at times.

With the Oil price shock and the US tariff impacts still to be fully gauged, the modifications and legal blocks to tariffs will change the mixture of pricing pressures rather than reverse them. US policy easings may be paused pending better data confidence, given percolating inflationary factors. Domestically, an "on-hold" path from the RBNZ still assists NZ equity assets as 2026 advances 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 more than 1% above current 6-month TD rates, which unchanged (at an average 3.56%) in May 2026. While TD rates stablise, we expect little scope for significant increases, even as the RBNZ may be expected to adjust the Official Cash Rate upward slightly later this year. The domestic economy is still weak, particularly in Services arenas.

## 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 slower 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 later 2026. However, this will continue to be a tentative and at times interrupted process.

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 -2% below the neutral 35% SAA weight. Due to fiscal risks, particularly surrounding tax policies and the impact on commodity prices of the Trump administration, we would move back overweight only incrementally. 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 moved the Official Cash Rate down to 2.25% in Q4 2025. This should prove to be the terminal rate in New Zealand for this cycle. While an easing cycle has finished, little tightening is coming and the RBNZ has pushed back against markets pricing significant hikes in for this year. The Reserve Bank should look through oil price spikes, until they pass through to inflation expectations.

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 3.5% p.a. currently. We expect little reversal in this level within the next three 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 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

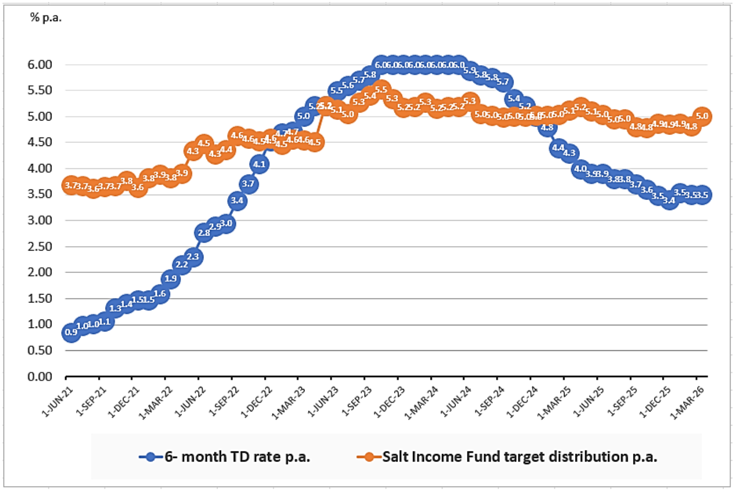
Stable component asset yields enabled us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which was paid out / reinvested in mid-May.

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 last year, 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 substantially reduced the Term Deposit rates being offered by domestic banks, but now we anticipate 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 persisting into mid-2026. While bank interest rate reductions have ceased, we see very limited scope for any meaningful increases in TD rates within the majority, if not all, of 2026.

## Income Fund's forward distribution rate vs. Term Deposits




Source: Salt, RBNZ (data to 31 May 2026)