

SALT

Salt 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 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 January 2026

Benchmark	Bank deposit rates (BNZBIL Index)
Reference portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	\$40.31 million
Inception Date	19 June 2021
Portfolio Manager	Greg Fleming
Prospective distribution yield (cents per unit) / based on Unit Price of 02.02.26	1.125 cents per unit per Quarter / 4.9% per annum

Unit Price at 31 January 2026

Application	0.9283
Redemption	0.9245

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 January 2026

Global Fixed Interest	33.0%
Australasian Shares	33.5%
Global Listed Property	16.5%
Global Listed Infrastructure	13.0%
Cash or cash equivalents	4.0%

Asset allocation to global Fixed Interest + Cash **37.0%**

Fund Performance 31 January 2026

Period	Fund Return (before fees and tax)	Gross Reference Portfolio Return*
1 month	0.11%	0.49%
3 months	0.20%	0.54%
6 months	5.19%	3.91%
1 year	10.13%	5.61%
2 years p.a.	10.07%	6.98%
3 years p.a.	7.77%	4.91%
Since inception p.a.	4.29%	2.39%

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

Top Individual Holdings

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

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 Income Fund Commentary

The Income Fund was little changed in January month, with a return of 0.11% in the month, but of 5.19% for the six-month period (before fees / tax) which generated a one-year return of 10.13% (before fees / tax.) Over the three-year period, the Fund's gross annualised return was 7.77% p.a. (before fees / tax) which was ahead of its Reference Index for all rolling periods beyond three months.

Among the Income Fund's components, the primary positive contributor in the January month was the Salt Global Listed Infrastructure Fund which contributed 0.37% to the month's return. Other positive contributions in January came from the Salt Select Global Fixed Income Fund (+0.15% impact,) the Salt Global Listed Property Fund (+0.05% contribution.)

The Salt NZ Dividend Appreciation Fund made a January-month negative contribution of -0.08%, while the Salt Enhanced Property Fund detracted by -0.48% for the month.

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 sparked a Federal Reserve response in the final months of 2025, with a precautionary -0.25% rate reduction at the mid-September meeting and another in October, and one further move in December. The Committee is divided at present on the scope for added easing in 2026, and demurred from lowering the Fed Funds Rate at the first meeting of 2026 at the end of January.

We would anticipate continuing positive impact on the listed Real Asset and Bond returns within the portfolio, and this has indeed been seen so far in 2026 with particularly strong returns from Global Listed Infrastructure in February and with Global Listed Property also ahead of the S&P 500 Index.

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 more than 1% above current 6-month TD rates, which were again reduced (to an average 3.5%) as 2025 came to a close. While TD rates will now stabilise, we expect little scope for significant increases, even as the RBNZ may be expected to adjust the Official Cash Rate upward very slightly later this year.

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 early-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 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 in early September 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 well prove to be the terminal rate in New Zealand for this cycle, as the final reduction was an (over)reaction to a weak GDP data print and poor sentiment. While an easing cycle has finished, little tightening is coming.

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 into 2026, although any US economic weak patch can potentially disrupt it, in the short term.

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

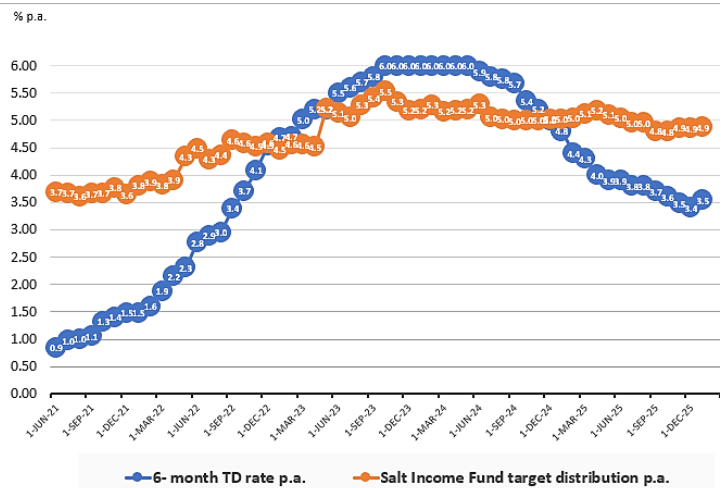
Stable component asset yields enable us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which is paid out / reinvested in mid-February.

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 stabilise 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 into early 2026. While bank interest rate reductions have ceased, we see very limited scope for any meaningful increases in TD rates within the first half of 2025.

Income Fund's forward distribution rate vs. Term Deposits



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