

# SALT

## Salt Income Fund Fact Sheet – October 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 31 October 2025

|                                                                                   |                                                       |
|-----------------------------------------------------------------------------------|-------------------------------------------------------|
| Benchmark                                                                         | Bank deposit rates (BNZBIL Index)                     |
| Reference portfolio                                                               | SAA-weighted component benchmark indices' performance |
| Fund Assets                                                                       | \$40.14 million                                       |
| Inception Date                                                                    | 19 June 2021                                          |
| Portfolio Manager                                                                 | Greg Fleming                                          |
| Prospective distribution yield (cents per unit) / based on Unit Price of 31.10.25 | 1.125 cents per unit per Quarter / 4.8% per annum     |

### Unit Price at 31 October 2025

|             |        |
|-------------|--------|
| Application | 0.9406 |
| Redemption  | 0.9368 |

### 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 October 2025

|                              |       |
|------------------------------|-------|
| Global Fixed Interest        | 34.0% |
| Australasian Shares          | 32.5% |
| Global Listed Property       | 18.0% |
| Global Listed Infrastructure | 12.5% |
| Cash or cash equivalents     | 3.0%  |

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

### Fund Performance 31 October 2025

| Period               | Fund Return (before fees and tax) | Gross Reference Portfolio Return* |
|----------------------|-----------------------------------|-----------------------------------|
| 1 month              | 1.00%                             | 0.64%                             |
| 3 months             | 4.98%                             | 3.35%                             |
| 6 months             | 11.68%                            | 6.73%                             |
| 1 year               | 10.68%                            | 5.66%                             |
| 2 years p.a.         | 14.44%                            | 11.27%                            |
| 3 years p.a.         | 9.14%                             | 6.45%                             |
| Since inception p.a. | 4.49%                             | 2.40%                             |

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

### Top Individual Holdings

|                                |                                |
|--------------------------------|--------------------------------|
| US 10Yr Note (CBT) Dec 25      | NZD Cash                       |
| Fisher & Paykel Healthcare     | Auckland International Airport |
| US 5Yr Note (CBT) Dec 25       | Precinct Properties NZ         |
| Goodman Property Trust         | Kiwi Property Group            |
| Auckland International Airport | Contact Energy                 |

The Top 10 holdings constituted 34.8% of the portfolio.

### SALT FUNDS MANAGEMENT

Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143  
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

## Market Commentary

- Markets were mixed over October with developed market equities up +2.8% (in USD terms) over the month while the global aggregate bond index was down -0.3% (in USD). Highlights were initially rising followed by easing trade tensions between the US and China. Despite all the noise, we saw another strong US corporate earnings season.
- US-China trade tensions rose early in the month as China threatened controls on rare earth mineral exports. Later in the month President's Trump and Xi met and agreed to what is best described as a tactical truce in their trade conflict rather than a binding treaty. There is no signed deal, but there was a de-escalation tone to the meeting and channels for discussion have reopened.
- The US Federal Reserve cut interest rates by 25bp, taking the target range for the Fed funds rate to 3.75-4.00%. US inflation data continued to show modest pass through of tariffs into consumer prices, fuelling the debate about the relative risks in the US between higher inflation and the weaker labour market. This was highlighted with two dissenters to the interest rate decision, one who would have preferred a deeper cut and one who would have preferred no cut at all. Chairman Powell added a hawkish tone to proceedings by stating further interest rate cuts were far from a foregone conclusion.
- The European Central Bank left interest rates unchanged at their October meeting. They are firmly in wait-and-see mode, retaining their data dependent, meeting by meeting approach. The Statement focused less on risks to the outlook than in September as data releases (PMI, GDP) over the past two weeks have been more positive than expected, supporting the resilience-to-tariffs narrative. The ECB is clearly on hold for the foreseeable future.
- In Japan, Sanae Takaichi succeeded in becoming Japan's first female Prime Minister. She is a firm supporter of the reflationary principles of "Abenomics" and has long advocated higher government spending to boost Japan's growth rate and has been critical of the Bank of Japan's recent tightening bias. Encouragingly, during her LDP leadership campaign she also acknowledged the need for fiscal consolidation and pledged to respect the Bank of Japan's independence.
- China's share market benefitted from the extended trade truce. Economic data was also supportive with GDP data coming in better than expected, suggesting the government's goal of a calendar year GDP result of "close to 5%" will be achieved. The star emerging economy share market performance, however, was Argentina with a 64% gain in the month following the overwhelming victory of President Milei's party in the mid-term election.
- There was a soft tone to Australia's September month labour market data with the unemployment rate rising to a high for this cycle of 4.5%. That soft tone was overwhelmed later in the month by a significantly higher CPI print than was expected.

- In New Zealand the RBNZ cut the Official Cash Rate by 50bp, taking the Official Cash Rate to 2.5%. Activity data is improving, but in only very modest fashion. Markets are pricing in a further 25bp interest rate cut in November and around a 40% chance of another one in February.

## Salt Income Fund Commentary

**The Income Fund rose in October month, with a return of 1.0% in the month and a robust 4.98% for the three-month period (before fees / tax), which generated a one-year return to 10.68% (before fees / tax.) The fund's gross return is ahead of its Reference Index' gross return for all rolling periods.**

Among the Income Fund's components, the strongest contributor in the October month was again domestically-based, as the local market remained resilient to international tensions and began to price in the beneficial impact of lower RBNZ policy interest rates for 2026 activity.

The Salt NZ Dividend Appreciation Fund made by far the largest monthly contribution at +0.74% while the Enhanced Property Fund was the third-strongest component, with a monthly contribution of +0.07%. This was ten basis points behind the Salt Select Global Fixed Income Fund's +0.17% October contribution. Meanwhile, the Salt Global Infrastructure Fund subtracted -0.06% contribution to the overall monthly Income Fund return. The Global Property Fund subtracted just -0.2%.

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 very 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 potentially one more in December, through the Committee is divided on that at present. 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, substantial US policy easings may be deferred to 2026, given percolating inflationary factors. Domestically, a moderated 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 3.6%) in the course October.

## 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, as global central banks progress their interest rate easings. Several key global economies are transitioning to slow growth.

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 late-2025. However, this will continue to be a tentative and at times interrupted process.

US inflation dynamics have stabilised, but Tariff pass-throughs endanger the inflation outlooks for producers and consumers alike. Central bank rate cuts continued this year, with the Federal Reserve delivering easings in September and October, as the economy and labour markets slow.

However, the Trump Tariff 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. The December FOMC meeting remains in play, with a significant number of Fed officials recently indicating that another rate cut before year-end is not assured.

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 rest 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 some in markets are looking for another -0.25% cut before year-end, 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

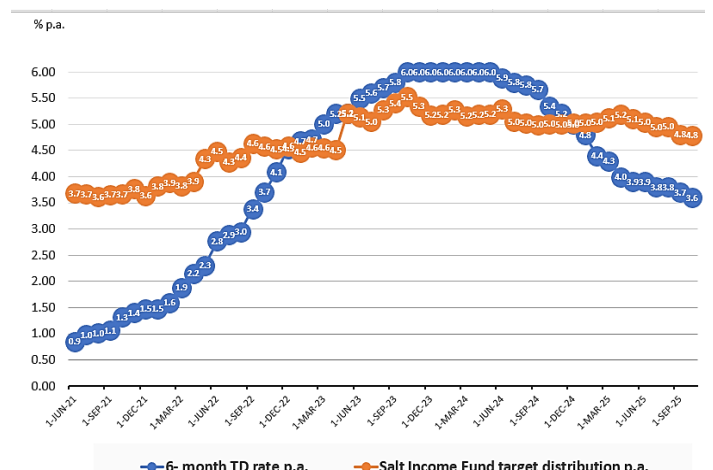
Stable component asset yields enable us to retain the quarterly cents-per-unit distribution from the fund, at 1.125 cpu, for the latest quarterly distribution which is paid out / reinvested in mid-November.

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 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 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 persist, though at a reduced rate of decline.

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



Source: Salt, RBNZ (data to 31 October 2025)

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