Salt Capital Growth Fund Fact Sheet – May 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.

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 in assets classes where this is possible.

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 31 May 2026

Benchmark	NZ CPI +5% over 5 years
Reference Portfolio	SAA-weighted component benchmark indices' performance
Fund Assets	$63.93 million
Inception Date	15 September 2021
Portfolio Manager	Greg Fleming

Unit Price at 31 May 2026

Application	1.1826
Redemption	1.1777

Sustainability Metrics (for information only)

Fund ESG Scores	Portfolio	Category avge
Morningstar Sov. Sustainability	12.78	15.00

Score indicates risk level – a lower score reflects a lower ESG multi-factor risk level. ESG score as at 31.05.26. 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 31 May 2026

Global Fixed Interest	15%
Australasian Shares	27%
International Shares	32%
Global Listed Property	12%
Global Listed Infrastructure	11%
Alternative Diversifiers	1%
Cash or cash equivalents	2%
Asset allocation to Fixed Interest + Cash	**17%**

Fund Performance 31 May 2026

Period	Fund Return (before tax and fees)	Gross Reference Portfolio Return*
1 month	-0.28%	1.45%
3 months	-1.54%	1.06%
6 months	-0.12%	3.27%
1 year	4.57%	14.14%
2 years p.a.	8.61%	12.37%
3 years p.a.	8.98%	11.69%
Since inception p.a.	5.06%	6.71%

Performance is before fees and PIE tax and is adjusted for imputation credits. Reference Portfolio return is also gross. * at 31 May.

Top Individual Holdings

Fisher & Paykel Healthcare	US 10Yr Note (CBT) Jun 26
NZD Cash	Contact Energy
Auckland International Airport	Taiwan Semiconductor
Infratil	US 10YR Ultra Future Jun26
US 5Yr Note (CBT) Jun 26	EBOS Group.

As at 1 May 2026

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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 is still expected in June to anchor inflation expectations.
- 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 Capital Growth Fund Commentary

The Salt Capital Growth Fund was little changed (-0.28% before fees) in May month and declined by -1.5% for three-month period (before fees.) For the twelve-month period, the Growth Fund gained +4.6% and the two-year annualised return was +8.6% p.a. (before fees.) The Fund logged a three-year annualised return of +9.0% p.a. (before fees) through to the end of May.

Defensive positioning overall, and the preference for listed Real Assets (Infrastructure and Property) assisted the Fund's relative resilience in a turbulent First Quarter. However, in the last two months, risk appetite returned despite a worsening array of concerns around the energy supply and the Middle East. Longer-term, after leading up until June 2025, the Fund's gross return remained well behind its Reference Index' gross return for the full year to May 2026.

The Fund's lagging of the Reference Index returns developed mid-last year, due to stock selection in global equities, while performance by global property, infrastructure and bonds and 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 a sharp lag. Global shares are the largest single asset class within the Capital Growth Fund, so an index underperformance drags. However, alpha and absolute capital value gains in Real Assets have assisted. This leads to slower recent capital growth than projected, though the 3-year annualised return is above target by 0.4% p.a. (gross.)

While much remains unclear, the comparative defensiveness of the Fund (i.e. favouring listed real assets over broader world equities, and tilting toward the Quality equity factor) gives us comfort that the portfolio is well-positioned for any further deterioration in global risks.

Internationally, major central banks are communicating to investors that they remain growth-supportive, although rate reductions will not be automatic, as inflation risks have risen. This was shown by the RCB rate increase (the first since 2023) implemented in early June. The final impact on consumer and producer prices from President Trump's Oil shocks due to war and his tariff reversals and replacements remains to be seen, but do concern the Federal Reserve. More material in the last months has been the war in the Persian Gulf and the serious risks to global inflation and growth from oil and natural gas price shocks.

Last year, there were phases of market optimism about the demand outlook evolving into a benign outcome for the underlying economies. Markets have more recently reconsidered the scope for easings in the US. Many risks remain, though markets are now more used to aggressive US policies. Inflation and any further war issues could undermine that complacency. World growth forecasts are being lowered, recently by the IMF which predicts a soft 3.1% 2026 GDP gain, with particular softness in Europe and the UK as well as in Asian oil importers.

Fixed interest value persists in segments, however, with credit spreads a touch wider and bout of higher Sovereign yields recently, we closed a small underweight to Global Fixed income within the fund, now at a neutral 15% allocation. This held "Growth" asset types in the Fund to a dynamic allocation of 83%. Global equities' weighting was trimmed to -3% underweight, at 32% of the Fund. We kept the overweight to global property to +2% and retained the Growth Fund's small position (+1%) in global infrastructure. The Fund's Cash level was likewise held at 2%.

Having gained more confidence that despite batches of concerning sentiment news, the NZ domestic economy is past the worst of its marked recent weakness, so we held our small overweight position in New Zealand equities, with the dynamic allocation at 27% throughout the first quarter of 2026 and through May.

Domestic assets made up 30% of the Fund, reflecting our retained preference for International Assets (70% of Growth Fund assets.) Our overweight position in Global Property has assisted, given superior value and quality cashflows, as well as lower exposure to US trade / energy price risks, compared to other sectors. We see global real assets as still reasonably valued and showing scope for continued performance.

While the Global equities allocation is presently low (-3% u/w,) we see this as prudent, given the reliance on a narrow sector breadth and previous optimistic assumptions of Federal Reserve easings in 2026. As the Iran situation has worsened, the Fed's rate path is now not expected to allow for reductions this year, in the market's forward pricing. There are too many potential price shocks in play from energy.

The key positive absolute contributions to returns in the May month came from the Salt Core NZ Shares Fund, which provided +0.68% toward the gross monthly return. The Global Fixed Income Fund holding's +0.1% May month impact was the other positive element of the return last month. The Global Listed Infrastructure Fund subtracted -0.33% for the period, the Global Listed Property Fund subtracted -0.15%, and the small Carbon Fund holding made a -0.04% May impact.

Global Shares continued lagging the Index, exerting a strong negative pressure on the Capital Growth Fund's performance compared to its Strategic Asset Allocation simulated return since last May. 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 H2 2025.

We do not consider there will be a substantial reversal in the Global Shares Fund's contribution until a more volatile shift in US market leadership. While there are some signs that this could be developing at times in 2026, the momentum and dip-buying behind the A.I. trade persists.

In addition, the carbon-light nature of the Select Global Shares Fund does periodically preclude it from making a positive contribution in line with a US equity market that was led by substantial gains in Energy and Materials / Mining sectors as well as Defence-related stocks, in H1 2026. That is consistent with the sustainability objectives embedded in our portfolio management philosophy.

By not fully participating in the global AI componentry and media-led equity market rally for most of last year, the Select Global Shares Fund has imposed a near-term opportunity loss on the Salt Capital Growth fund, in terms of its relative return level. At the same time, it is contended that the risk of enduring capital loss is below that of more index-proximate equity funds, allowing longer term compounding in capital gains. The listed Real Assets have been carrying returns in 2026.

The compounding absolute return level of the Capital Growth Fund remains above target at +8.98% p.a. (gross) in the 3 years to May, although the drag from Global Shares' underperformance in the last year meant that it lagged its reference portfolio by -1.7% p.a. since inception.

Salt Capital Growth Fund outlook

Within the Capital Growth Fund, the Salt Select Global Shares portfolio is currently significantly underweight to the USA (holding 62.5% of the Fund in US equities, compared to the MSCI World Index's 72.4% current US weighting.)

The Global Shares portfolio is slightly underweight in Japan. It prefers overweighting Developed Europe and the UK, as well as holding Taiwan Semiconductor (an Emerging Market exposure in Index terms) at the largest single Global Shares holding.

The Morgan Stanley view is that US markets are signalling excessive confidence in economic growth, a GenAI-related capex boom and faster spending enabled by the OBBB US tax act. Our reading is that, beyond discounting a bright outlook, recent economic dynamics reflect extreme AI industry concentration not trickling down (yet) to the broader economy.

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 (currently, via a small overweight in Global Property and Infrastructure.) Conditions are set to remain volatile and unpredictable and could deteriorate. Company margins will be under rising pressure in H2 2026.

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. NZ shares are not immune to any potential for additional negative sentiment shifts from abroad, as presently. However, piecemeal domestic improvements in the NZ economic outlook continue, ahead of more recovery momentum into later 2026.

Global Infrastructure and Global Property are also sizeable Capital Growth Fund components. Given the disruptions to broad global economics under the Trumpian regime, listed Real Assets proved resilient as 2025-26 progressed. More recently, Infrastructure has been the slightly stronger segment, despite sticky long bond yields that have yet to provide substantial support.

Despite the market reversal in March month, over the twelve months to 31 May, Global Listed Property gained +13.3% and Global Listed Infrastructure, +17.4% (gross returns) in our Salt funds (components of the Capital Growth Fund.) We expect the Real Asset rebound to continue through late 2026, as some valuations in these sectors are still attractive. However, this will come in fits and starts, as interest rates remain volatile, and substantial stimulatory easing is not on the table from central banks. Risks arise on the US front, given policy swings affecting the fiscal outlook. That argues for higher long US bond rates.

With elevated geopolitical risk, we prefer to be slightly defensive on broad global equities until greater clarity on economic policy, geopolitics, profits and the future interest rate track emerge. 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. Ther change in leadership at the Federal Reserve may also complicate adjusting monetary conditions to constrain inflation.