

SALT

Salt Select Global Fixed Income Fund Fact Sheet – August 2025

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in actively seeking to maximise returns while managing the risks of the investment. Salt examines investments for their environmental and social impact as well as the quality of their governance.

Fund Name Change

As of 13 June, the Salt Sustainable Global Fixed Income Opportunities Fund is being renamed the **Salt Select Global Fixed Income Fund**. There is no change to investment disciplines or approach; however this aligns the Fund better with current global regulatory and market trends.

Investment Strategy

The primary objective of the Fund is to target and generate an attractive rate of return over a full three-to-five-year market cycle. To achieve this, the Fund targets a portfolio of global fixed income securities with enhanced total return potential and superior sustainability characteristics.

The objectives of this top-down selection process are to:

1. Reduce exposure to material ESG risk and negative sustainability impacts, through restriction screening of controversial sectors such as weapons, tobacco and some fossil fuels, as well as international norms violations;
2. Tilt the portfolio in favour of the 80% strongest sustainability performers across corporates, by sub- sector, and sovereigns; and
3. Contribute to positive outcomes based on key sustainability themes, with a particular focus on low carbon intensity.

The Fund will invest at least 50% in investment grade bonds, and a minimum of 15% in sustainable bonds. The fund targets its returns to be 100% hedged to the New Zealand dollar.

Fund Facts at 31 August 2025

Benchmark for ESG purposes only	Bloomberg Global Aggregate Index (NZD hedged)
Fund Assets	\$182.34 million
Inception Date	10 February 2023
Underlying Manager	Morgan Stanley Investment Management
Average credit rating	Standard & Poor's BBB+ / Moody's Baa1
Effective Duration	3.89 years

Unit Price at 31 August 2025

Application	1.0730
Redemption	1.0718

Fund Allocation at 31 August 2025

Global fixed income securities	98.2%
Cash, FX, short term & sundry	1.80%

Fund Performance at 31 August 2025

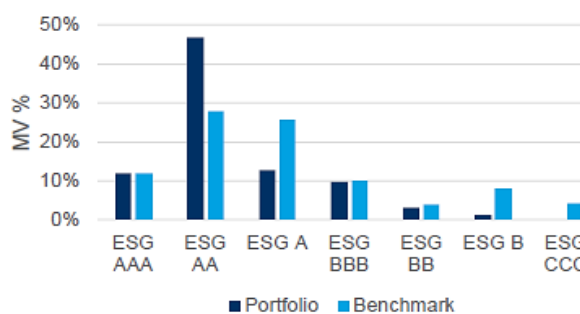
Period	Fund Return (Gross incl. ICs)
1 month	1.23%
3 month	2.58%
6 month	3.10%
1 year	5.72%
2 years p.a.	7.08%
Since inception p.a.	6.10%

Performance is gross of fees and tax. Data as of 31 August 2025.

Sustainability scoring and Emissions intensity

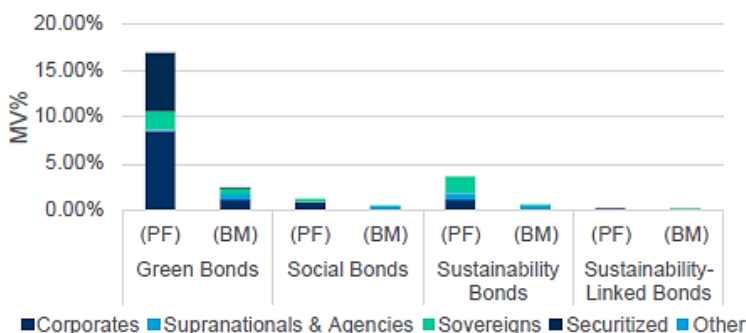
Fund ESG Dashboard	Port.	Agg	Fund YTD change
In-House ESG Research coverage (% Market Value)	79.2%	75.9%	-6.7%
Green, plus Social, Sustainability and Sustainability-linked bonds	22.0%	3.9%	-14.6%
Sustainable SBTi approved / committed targets	33.7%	37.4%	-18.3%
CO2 Footprint Scope 1&2 (tCO2e/\$mn emission intensity)	80	196	+16.0%
CO2 Footprint Scope 3 (tCO2e/\$mn emission intensity)	434	706	-13.5%
MSCI ESG Score (Adjusted)	6.88	6.02	-0.30
Negative Indicators			
- Red Flags	0.0%	0.1%	0.0%
- CCC MSCI Rated	0.0%	4.3%	0.0%

Source: MISM Monthly Investment Report/ MSCI ESG Research at 31 Aug. 2025

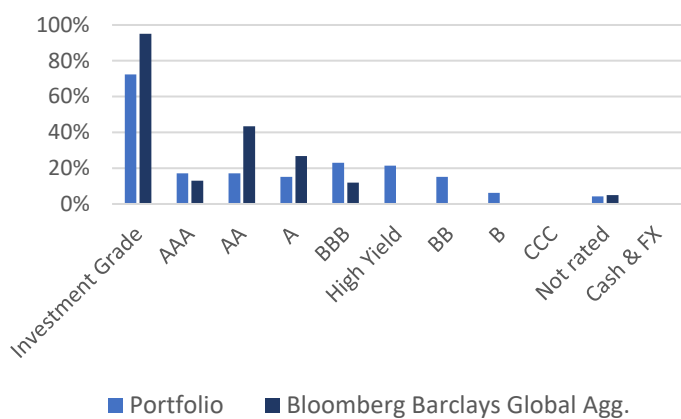


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Portfolio labelled bonds exposures by type



Fund credit ratings vs. Bloomberg Barclays Global Agg.



Source for charts: MISM as at 31 August 2025

Portfolio Review

- In the one-month period ending 31 August 2025, the portfolio returned 1.23% (before fees.) The performance can be attributed to the following factors:
 - Overall, duration positioning had a positive impact on performance, primarily driven by the U.S. curve position, as front-end yields fell on shifting rate expectations after a weak job market report, while the long end remained anchored by fiscal concerns resulting in favourable steepening. Similarly, the Euro-area curve steepener also contributed to performance.
 - Higher risk-free rates continued to benefit performance.
 - Euro-Area spreads had a small negative impact on overall performance.
 - Emerging Market (EM) Hard Currency Debt had a small positive impact on performance amid supportive risk sentiment.
 - Government Related Debt had a small negative impact on performance in August.
 - The Portfolio's short USD versus a diversified basket of developed and emerging market currencies contributed, as the dollar weakened in August.

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- The portfolio's long positions in investment grade marginally detracted from performance.
- The portfolio saw gains from exposures to agency RMBS, non-agency RMBS, and ABS.

Strategy changes

- Overall, duration exposure was increased, to 3.89 years, from 3.76 years at the end of last month.
- Initiated a long position to Danish duration, driven by low volatility, in line with the strategy's preference for stable sovereigns.
- The portfolio also increased the long duration position to New Zealand and reduced the long position to US duration.
- Reduced long exposure to DM government-related debt.
- Within FX, the portfolio increased its short USD exposure vs a diversified basket of EM and DM currencies.

Strategy changes: Sector Spreads

- Reduced allocation to investment grade credit across some of the tightest names, particularly within Financials and Industrials in Europe.
- Increased allocation to High Yield Corporates.
- Increased overweight to covered bonds, supported by resilient risk appetite.

Market Review and Outlook:

The fixed income market was as "summer-y" as it gets this past month. The remarkably muted volatility of yields and the continuing benign compression of spreads, notwithstanding the brief spike on the first of month US jobs data, seems out of sync with what would normally be perceived as more impactful events. Things are bubbling away beneath the surface that might spill out into bigger market moves as we enter the fall but our theme for this month mimics that of T.S. Eliot with summer ending not with a bang but a whimper. Perhaps though the more apt metaphor is that of the naturalist Joseph Wood Crutch who said "August creates as she slumbers, replete and satisfied."

The seeds of possibly bigger moves to come have been sown and are quietly growing. EUR IG (, closing at 84bps, +5bps wider) underperformed US IG (closing at 79bps, +3bps wider), largely driven by the spread decompression in French assets.

Rates Rally on Weak Jobs Data and Dovish Signals

Developed market curves steepened in August as soft U.S. payrolls and dovish Fed commentary fuelled expectations for rate cuts. Political instability in France and concerns over Fed independence added long-end pressure. The U.S. dollar weakened broadly, supporting high-carry currencies.

EM Debt Gains Amid Dollar Weakness and Policy Easing

Emerging markets posted solid returns, supported by continued inflows and easing from Turkey and Mexico. Trade tensions persisted, but a U.S.-China truce helped stabilize sentiment. EM currencies benefited from dollar softness and attractive real yields.

Credit Markets Mixed as Issuance Picks Up

IG credit saw modest spread widening, led by French assets, while HY and convertibles rallied on strong risk appetite and falling yields. Primary issuance was active across segments, with refinancing dominating supply. Fundamentals remain solid, but spreads are tight.

Securitized Credit Stable with Strong Technicals

Agency MBS spreads tightened but remain wide historically. ABS, CMBS, and RMBS issuance was well absorbed despite seasonal slowdown. Performance was solid, though shorter duration limited upside versus other sectors.

Fixed Income Outlook

The bond market remains caught in an uneasy equilibrium—torn between growth concerns, as reflected in U.S. employment data, and persistent inflation pressures that continue to loom both domestically and abroad, particularly in Japan. Meanwhile, supply concerns in government bond markets are becoming an increasingly dominant theme. This is driven by the combination of large and expanding deficits and the challenging political paths to future fiscal tightening in countries like France, the UK, and the U.S. These dynamics point to rising term premia, a theme we continue to favour and express through steeper positions in the long end of government bond curves.

Markets have repriced real yields back to levels not seen since the early 2000s, signalling that the era of monetary repression—from the Global Financial Crisis through the pandemic—is firmly behind us. This shift has occurred despite the still-large central bank balance sheets, which continue to be unwound. The key question now is whether real yields need to rise further—especially at the long end—as those balance sheets shrink and the global pension sector's appetite for duration appears increasingly satisfied. Viewed through the lens of already large deficits and structurally challenging fiscal dynamics—driven by both political gridlock and demographic pressures—we've asked ourselves whether we are witnessing an implicit crowding out. Corporate and household balance sheets remain in strong shape, both relative to incomes and profits, and especially when measured against household net worth and equity market valuations. Are spreads historically tight not only because consumers and businesses are fundamentally sound, but also because government balance sheets and debt trajectories are not?

We maintain a neutral stance on duration across developed markets, with selective positioning favouring Canadian and New Zealand government bonds over U.S. Treasuries. Curve steepening exposures in U.S. Treasuries and German Bunds reflect our view that rising deficits and term premia will pressure long-end yields. In Japan, we remain long inflation breakevens while tactically reducing short duration exposure. In FX, we continue to favour short U.S. dollar positions against a diversified currency basket. In emerging markets, fundamentals remain supportive amid ongoing reform momentum and resilient growth expectations. EM currencies are undervalued, and real yield differentials remain attractive. Continued dollar weakness should support local assets, though trade policy uncertainty warrants a bottom-up, country-specific approach.

We remain cautiously constructive on investment grade credit, expecting low growth without a significant rise in downgrade or default risk. European policy remains supportive, while the US fiscal picture is more mixed. Corporate fundamentals are solid, with firms maintaining low-risk strategies. Technicals are favourable, with manageable issuance and strong demand for IG yields. Whilst we expect carry to remain a key driver of returns going forward, we are also cognizant of the current extreme tightness in credit spreads. As the full impact of newly announced trade policies is yet to be felt, we remain selective in our credit exposures, favouring issuers which exhibit strong fundamentals, less cyclical and are well positioned to benefit from a moderate growth environment.

In high yield, while recession risk remains low, compressed spreads and evolving trade dynamics suggest potential volatility ahead. We prefer issuers with resilient fundamentals and prudent capital structures. In convertibles, we are constructive on fundamentals but cautious on the pace of issuance—particularly crypto-linked deals.

The asset class's bond floor offers downside protection, and selectivity will be key. In securitized products, agency MBS spreads are expected to tighten further, supported by attractive valuations and potential Fed rate cuts. Residential mortgage credit remains our preferred sector, while we remain selective in lower-rated.

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