CarbonFund

Carbon Fund Fact Sheet – Quarter ending 30 June 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.

Further, the consideration of environmental, social and governance (ESG) factors is integral to the research we carry out. Salt analysts consider the potential for ESG factors to influence long term returns on invested capital (positively and negatively).

Investment Strategy

The Fund's primary investment objective is to provide investors with a total return exposure to movements in the price of carbon credits. The Fund has the ability to buy carbon credits in emissions trading schemes in New Zealand and offshore.

The Fund generally gains its exposure to the price of NZUs through purchasing and holding carbon credits on the NZ ETS. We may also use swaps or other derivatives to gain exposure to the NZ ETS.

The Fund has the ability to buy carbon credits in international emission trading schemes, as well as futures, swaps or other derivatives that provide exposure to international schemes. As a result, the Fund may also provide exposure to the price of carbon offshore. The Fund can also invest in Carbon-Related Businesses and buy, hold, and deal with Treasury Units.

Fund Details

Fund Assets	$76 million
Inception Date	8 November 2018
Portfolio Manager	Paul Harrison
Total Fund Charges (p.a.)	0.96%
NZX Code	CO2

Who is involved?

Supervisor	NZ Guardian Trust Company
Administrator	Apex Administration (NZ)
Custodian	Apex Administration (NZ)
Registrar	MUFG Pension & Market Services
Investment Manager	Salt Funds Management

Net Tangible Assets (NTA) Value on 30 June 2026

Application	1.6499

CO2 price on NZX Main Board on 30 June 2026

NZX Close	1.428

Target Investment Mix

The target investment mix for the Carbon Fund is:

Carbon credits	98.00%
Cash	2.00%

Fund Allocation at 30 June 2026

NZ carbon credits	47.55%
Carbon Fund	46.98%
Aus carbon credits	5.37%
Cash	0.10%

Fund Performance to 30 June 2026

Period	Fund Return
3 months	19.68%
1 year	-5.25%
2 years (p.a.)	1.63%
3 years (p.a.)	4.32%
5 years (p.a.)	2.42%
7 years (p.a.)	8.33%
Since inception (p.a.)	6.77%

Performance is based on NTA movement and is after all fees and 28% tax.
Past performance is not a good indicator of future performance.

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Quarterly Fund Commentary

Dear Fellow Investor,

Over the three months to 30 June 2026, the Fund's NZX market traded unit price rose 20.7%, closely matching the Fund's net tangible asset (NTA) rise of 19.7% after all fees and 28% tax. Fund assets finished the quarter at $76 million.

The Fund's NTA value reflects the carbon credits it holds, along with the CO2 units it holds valued at the NZX traded market-determined price. The NZX traded price can sit above or below that NTA. On 30 June 2026, the application NTA was $1.6499 per unit and CO2 units closed at $1.428 on the NZX, a discount of approximately 13.4%.

New Zealand Unit (NZU) prices rose over the June quarter, in line with a broader upward trend in global carbon prices. NZUs trading on the secondary market rose from $41.60 to finish June at $54.75, an increase of 31.6%. Australian Carbon Credit Units (ACCUs) recorded a more modest gain, rising 4.7% from A$36.30 to A$38.00.

European units (EUA) also showed strength over the period as weather conditions put the electricity supply under pressure, with extreme heat seeing electricity demand surge on the back of the need for cooling. France recorded its hottest day on record in June and the corresponding demand for electricity peaked at a level circa 10GW above the five-year average. The hot weather also saw river temperatures exceed safe levels for nuclear reactor cooling, forcing a temporary halt and dropping France's nuclear output to nine-month lows. The combination of surging electricity demand and limits on nuclear generation required an increase in thermal generation, contributing to higher EUA demand.

The NZU price rally was mostly driven by lower-than-expected NZU issuance. The market was positively surprised when the expected level of forestry issuance did not occur. The inflow of NZUs into the ETS is normally higher in the first half of the year as forestry owners sell their newly issued units to generate cash. With 2026 being a "wash-up" Mandatory Emissions Return Period (MERP), the market was wary of an increase in supply of NZUs. However, the publication of the ownership data revealed a more modest increase.

Registry data for May showed NZU balances fall by 25.3 million units to 121.2 million, reflecting emitter surrenders ahead of the May deadline. Forestry participants have extra time to meet the surrender obligations arising from harvesting, and market commentators have noted that forest owner NZU holdings did not change into the May deadline, suggesting a significant portion of harvest-related surrender activity is still to occur in 2026. Modelling by Jarden suggests net harvest surrenders should be large, with the potential for a further 10 million to 26 million unit reduction in the NZU stockpile by October, although these are Jarden's projections rather than forecasts by the Manager.

With NZUs available in the secondary market at around $53 on the day of June's ETS auction, and the auction floor price set at $71.00, there were unsurprisingly no bids. The 1.3 million NZUs offered at each of the March and June auctions will roll over into September, when 3.9 million NZUs will be available at a minimum price of $71.00.

The stabilisation of the underlying carbon prices is giving investors more confidence. NZUs have consolidated around price levels similar to the end of June and, pleasingly, at the time of writing, CO2 units are trading on the NZX at around $1.55, which is a circa 31% increase on where they finished March. The CO2 units are still trading at a discount to NTA and the Manager will continue to buy units back when in the best interests of unit holders. Since the 1st of November, when the CO2 units fell below $1.35 on the NZX, the Fund has repurchased 3.45m units at an average price of $1.28. The surplus created by these repurchases is accruing to the Fund.

Looking ahead, the main influences on the NZU price remain the pace of harvest-related surrenders through to October and the September auction, where 3.9 million units will be offered at a floor price of $71.00. With secondary market prices well below that floor, the balance of supply and demand in the secondary market is likely to remain the primary driver of the Fund's return. Thank you for your continued support.

Paul Harrison, BCA, MBA, CA, Portfolio Manager