Quarterly Fund Report:
Mint Diversified Growth Fund

mint ASSET MANAGEMENT

DIVERSIFIED FUNDS

Mint Diversified Growth Fund

Investment Objective

This is a multi-asset class Fund that offers a diversified portfolio and aims to provide capital growth over the long term. The Fund invests primarily in New Zealand and international equities (including listed property if held) but will also hold cash and fixed interest securities. The objective of the Fund is to deliver returns in excess of the Consumers Price Index (CPI) by 4.5% per annum, before fees, over the medium to long term.

Markets Over the Quarter

The first quarter 2026 was defined by two distinct shocks: renewed tariff uncertainty and Iran's blockade of the Strait of Hormuz late in February. The closure of this critical chokepoint for global energy flows sent oil and gas prices surging, driving the broad commodities index up 24.4% over the quarter. Markets had entered the year at elevated valuations after 2025's strong run, and the energy shock was the catalyst for a sharp and broad repricing of risk.

The Global Growth index fell 8.4% over the quarter, with two forces driving the decline. The first was the 'AI Loser Trade' a reassessment of how generative AI threatens Software-as-a-Service business models, which concentrated selling pressure in technology names through February and March. The second was the energy shock itself, which pushed rate expectations sharply higher and created an unfavourable environment for long-duration growth assets. The S&P 500 declined 4.3% in US dollar terms. Global Value returned 1.3%, unimpressive in absolute terms, but a meaningful relative outperformance as investors rotated toward cheaper, more defensive positions. Energy stocks were a clear beneficiary of the supply shock and subsequent price spike of oil and gas. The rotation away from US large-cap growth toward international and value-oriented equities that began in late 2025 accelerated materially over the quarter.

The S&P/NZX 50 declined 4.7% over the quarter, with the index reaching a high of 13,757 in mid-January before the global risk-off move took hold. The NZX 50's composition makes it particularly vulnerable in this kind of environment. The index is heavily weighted toward duration-sensitive infrastructure, utility, and listed property names that behave more like long-duration bonds than cyclical equities. When rate uncertainty rises sharply (as it did through March), the earnings multiples on these assets compress quickly, amplifying the price decline well beyond what underlying business performance would warrant. The global rotation toward offshore growth assets compounded the move as New Zealand's tight market liquidity means that outflows generate disproportionate price impact.

Bond markets sold off broadly as the inflation shock repriced rate expectations across all sovereign curves. Short-dated bonds bore the brunt as markets priced a swift central bank response to any second-round inflationary effects. In New Zealand, the 10-year government bond yield climbed to approximately 4.88% by quarter-end, its highest since April 2024, with a Fitch credit outlook downgrade adding further domestic pressure. The RBNZ held the OCR at 2.25% but signalled vigilance, with markets now pricing OCR hikes later in 2026.

Market Outlook

The global economic backdrop entering this quarter was, in many respects, in reasonable shape. Growth was starting to appear in more areas of the economy, inflation was moderating toward target, central banks retained room to ease, and corporate earnings were broadly constructive. The Middle East conflict has not erased that foundation, but it has introduced a heavy dose of uncertainty that complicates the path forward. The central question for investors now is whether the oil price shock proves to be a temporary supply disruption (futures markets suggest that is the case) or a more persistent structural shift in energy costs that feeds through into wage, transport, food price, and ultimately broader inflation expectations. The answer will determine whether central banks can stay on the sidelines or are forced to act, and it is not yet answerable with confidence.

The most significant market development of the quarter, however, predates the Iran conflict. The rotation away from US large-cap growth that accelerated through Q1 represents, in our view, something more durable than a tactical risk-off move. The 'AI Loser Trade' the repricing of software and technology businesses on the basis that generative AI threatens their competitive moats reflects a genuine structural shift in how investors are thinking about the technology sector. For most of the post-Covid era, AI has been the tailwind that lifts technology valuations. Now it is beginning to be priced as a headwind for a cohort of established businesses that built durable recurring revenue on the premise that switching costs were high and barriers to entry were substantial. Both of those assumptions are being tested.

This is not a wholesale negative view on AI as an investment theme. The productivity gains that scaled AI adoption will deliver over the medium term remain significant. But the investment lesson of every major general-purpose technology from rail to electricity to the internet, is that the transition period is characterised by excess investment, overcapacity, and a wide dispersion between winners and losers. The companies building the infrastructure are not necessarily the same companies that will capture the returns from its application, and the application layer itself will see winners emerge in ways that are difficult to predict at this stage. The appropriate posture is selective exposure and disciplined valuation, not broad participation.

Within global equities more broadly, we continue to see the case for international diversification strengthening. The valuation gap between US equities and the rest of the world remains wide by historical standards, even after the partial rotation of recent quarters. European equities, despite the challenges of the current energy shock, trade on multiples that offer a more compelling margin of safety. Emerging markets, particularly those with commodity exposure and lower energy vulnerabilities, warrant attention. We are not calling the end of US equity leadership, but we are saying that the risk-reward of concentrating in the most expensive parts of the US market has deteriorated materially, and diversification across geographies and styles is both warranted and timely.

Turning to New Zealand, we enter the second quarter with a constructive but patient stance. The domestic market's near-term performance will continue to be heavily influenced by the interest rate environment, the NZX 50's composition — infrastructure, utilities, listed property — makes it acutely sensitive to rate expectations, and that sensitivity is a double-edged sword. The same index that underperformed sharply when yields moved higher through March will respond positively when rates stabilise or decline. We are watching the RBNZ's next moves closely. A considered case is that Governor Breman's Committee will resist the temptation to hike preemptively and instead wait for clarity on whether the inflation shock proves temporary or persistent. If that plays out, and long-end NZ yields begin to retrace, the re-rating potential for the domestic market is meaningful.

We also note the broader domestic context heading into the second half of 2026. This is an election year, and fiscal policy is likely to become increasingly supportive as the campaign period approaches. The tightest Budget operating allowance in a decade was delivered in 2025; the 2026 Budget is likely to be more accommodative. Combined with the lagged effect of 14 months of OCR reductions flowing through mortgage markets, the conditions for a genuine domestic recovery are there but suppressed by global and domestic sentiment. We expect this to change over the second half of the year, and companies with strong domestic earnings leverage should benefit.

Buoyant global equity markets have encouraged heightened speculation, increased retail participation in options markets, a substantial rise in margin debt, and high levels of concentration in a small number of technology-related names. The interconnectedness of large technology companies and their financing structures, private credit arrangements, circular revenue relationships, and disproportionate contributions to GDP growth, creates the conditions for any correction to be amplified by liquidity constraints. When positioning is crowded, capital cannot exit simultaneously without disorderly price moves. These structural fragilities do not prevent markets from continuing to rise, but they do raise the threshold at which new investments represent good risk-adjusted opportunities.

Looking ahead, 2026 feels like a year in which the investment landscape is being meaningfully repriced from one characterised by low inflation, declining rates, and narrow technology leadership, to one where structural inflation risk, a normalised rate environment, and a broader dispersion of equity returns become the defining features. Navigating this transition successfully requires discipline, genuine diversification, and a consistent emphasis on owning assets with real underlying earnings power. The evidence from Q1, where Value returned 1.3% against Growth's -8.4%, where international equities outperformed the US, and where energy and defensive names provided shelter, points in the same direction. In this environment, we recommend maintaining a patient, fundamentals-driven approach and resisting the temptation to chase recent winners into elevated valuations.

Fund performance & positioning

The quarter was a difficult one for the fund, down 8.1% for the period, driven primarily by the sharp de-rating of technology and software-related holdings across the global equity sleeve and by weakness in both the Australasian equity and property allocations.

The domestic equity component was the most significant detractor. This reflects the domestic market's 4.7% quarterly decline amplified by sector-specific headwinds in the rate-sensitive names that dominate the NZX 50, alongside softness across listed property as long-end yields rose sharply through March.

Within the global equity sleeve, the “AI Loser Trade” weighed heavily on a number of technology and software-related positions. Microsoft and SAP SE were among the most significant individual detractors, both declining in excess of 23% as the market reassessed the durability of competitive moats in enterprise software. LVMH and Novo Nordisk, both of which were reduced during the quarter, nonetheless detracted during the period of holding. The energy shock compounded these moves by pushing rate expectations higher an additional headwind for the long-duration growth assets most affected.

On the positive side, FedEx was the standout performer, gaining 23.8% as logistics demand benefited from the energy-driven supply chain disruption. GSK, Analog Devices, and Johnson Controls also contributed positively, reflecting the relative resilience of healthcare, specialist semiconductors, and industrial infrastructure in the risk-off environment. These results reinforce the rationale for maintaining exposure to quality defensive names alongside the growth-oriented positions in the portfolio.

Our new equity additions had a challenging start from a mark-to-market perspective. Boston Scientific in particular experienced a significant drawdown in the period following purchase. We remain confident in the medium-term investment thesis. Activity during the quarter was focused on improving the quality of both the equity and fixed income sleeves, the rationale and direction of which is discussed above. We continue to carry a higher-than-normal cash allocation, providing flexibility to deploy selectively as opportunities arise.

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ASSET MANAGEMENT

Key Personnel

Amplifi Investment Committee

Rebecca Thomas	Founder & CEO of Mint
Kirsten Boldarin	CEO of Amplifi Group
John Middleton	Portfolio Manager
Alistair Dring	Assistant Portfolio Manager

Signatory of:

PRI Principles for Responsible Investment

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STEWARDSHIP CODE AOTEAROA NEW ZEALAND

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