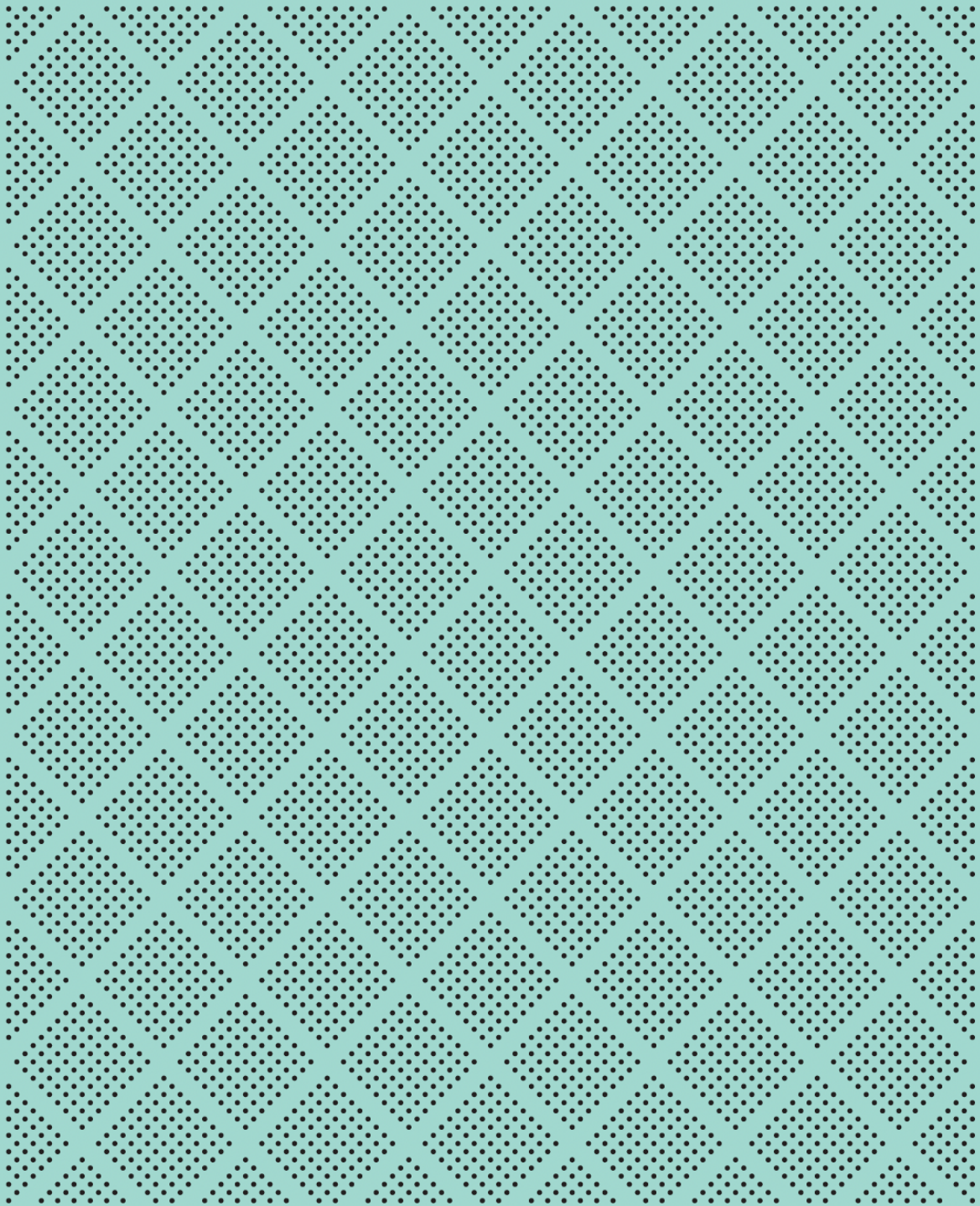


Quarterly Fund Report: Mint Diversified Income Fund



DIVERSIFIED FUNDS



Mint Diversified Income Fund

Investment Objective

This is a multi-asset class Fund that offers diversification by investing across a number of asset classes both in New Zealand and internationally. The objective of the Fund is to deliver a total return (through a combination of income and capital growth) in excess of the Consumers Price Index (CPI) by 3% per annum, before fees, over the medium to long term.

Markets Over the Quarter

The first quarter of 2026 was defined by a sharp repricing across global fixed income markets, driven by a renewed inflation shock and a material shift in interest rate expectations. Escalating trade tensions and the disruption to global energy supply following the closure of the Strait of Hormuz pushed commodity prices significantly higher, feeding directly into inflation expectations and forcing markets to reassess the path of monetary policy. Rate cuts that had been widely anticipated at the start of the year were rapidly priced out, with markets instead pricing multiple rate hikes across several developed economies. This repricing was most pronounced at the front end of yield curves, where policy expectations are most directly reflected, resulting in a sharp rise in short-dated yields both domestically and internationally. The move extended across sovereign and credit markets, placing downward pressure on bond prices, with longer-duration assets also impacted as higher policy expectations fed through the curve. Against this backdrop, income generation remained resilient, but capital values were challenged as higher discount rates reset valuations across fixed income assets.

New Zealand bond markets experienced a significant repricing over the quarter, led by a sharp shift in interest rate expectations at the front end of the curve. Markets entered 2026 positioned for further OCR cuts following the prior easing cycle; however, this view reversed quickly as inflation risks re-emerged. Rate cuts were fully priced out, with markets moving to price at least one rate hike by year-end, driving a sharp increase in short-dated yields and a flatter yield curve overall.

This repricing was driven by a material shift in the Reserve Bank of New Zealand's outlook during the quarter. The RBNZ held the Official Cash Rate at 2.25% at its February Monetary Policy Statement, pausing after 325 basis points of cumulative easing since August 2024. At that time, annual CPI was running at 3.1% for the December 2025 quarter, and guidance suggested inflation would return toward the 2% midpoint over the following 12 months. However, rising global energy prices through the quarter materially altered the inflation outlook, leading markets to reassess the likely policy path and price a more restrictive stance.

As a result, the front end of the curve led the sell-off, while longer-dated yields also moved higher with the 10-year government bond yield rising from approximately 4.50% to around 4.88% by late March. Domestic factors, including the downgrade of New Zealand's sovereign credit outlook to negative, added further pressure to longer-term yields but were secondary to the repricing of monetary policy expectations.

In credit markets, spreads widened modestly from historically tight levels amid increased macro uncertainty. Shorter-duration and floating-rate instruments proved more resilient, supported by higher running yields and lower duration sensitivity, while longer-duration fixed-rate bonds experienced greater mark-to-market pressure. Overall, the domestic fixed income market shifted from a rate-cut narrative to one defined by policy uncertainty and higher expected rates, with front-end yields driving the adjustment.

This repricing in New Zealand was consistent with global fixed income markets, where bond yields also moved higher over the quarter. Rising energy prices lifted inflation expectations and drove a rapid shift in interest rate pricing, with markets moving from expecting rate cuts to pricing further tightening. The adjustment was most

evident at the front end of yield curves, where short-dated yields rose sharply. In the United States, the Federal Reserve held rates steady but maintained a hawkish tone, while the 10-year Treasury yield edged higher. European bond markets were weaker, with yields reaching multi-year highs as the ECB signalled a willingness to respond to inflation risks. UK gilts were among the weakest performers.

Overall, the global backdrop was one of higher yields and modestly negative returns across both sovereign and credit markets.

While fixed income markets were driven by higher yields and shifting rate expectations, equity markets experienced a more abrupt change in sentiment over the quarter. The NZX 50 declined 4.7%, with most of the weakness occurring in March following the escalation in geopolitical tensions and the associated rise in energy prices. Performance varied by style, with growth stocks falling more sharply, while defensive names proved relatively resilient. In Australia, the ASX 200 fell 1.6%, and global markets were also weaker, with the S&P 500 declining 4.5%. For the Income Fund, these movements are primarily relevant through their impact on the Australasian equity allocation and the broader portfolio risk environment.

Market Outlook

The rate backdrop has undergone a fundamental shift. New Zealand entered 2026 expecting further OCR reductions on the back of 325 basis points of cuts delivered since August 2024, a softening labour market, and below-target growth. That picture has been upended.

The energy supply shock from the Strait of Hormuz has pushed near-term inflation well outside the RBNZ's 1-3% target band and the central bank now projects CPI reaching 4.2% in the June quarter. The tone from the April Monetary Policy Committee was unambiguously more hawkish than any meeting in the prior easing cycle. Hikes were discussed, second-round effects are being monitored closely, and rate cuts are no longer part of the forward guidance. Markets are pricing at least one quarter-point increase by year-end, with some forecasters calling it as early as September.

The RBNZ's dilemma is genuine. A domestic economy that grew only 0.2% in 2025 and is carrying unemployment at an 11-year high of 5.4% cannot easily absorb tighter monetary conditions, yet the fuel shock is an external supply-side impulse that monetary policy cannot address without real economic cost. Consumer confidence fell from 100.1 to 91.3 through Q1, and business confidence dropped from 59.2 to 32.5 (more recently) as the oil shock reached household and corporate decision-making. We expect the RBNZ to move cautiously and only if second-round effects in wages and domestic prices become evident. In the meantime, the shift in tone materially changes the fixed income landscape, particularly for duration.

In the bond portfolio, the key question is where the risk-reward on duration is most attractive given this repriced environment. The move in the 10-year NZ government yield from 4.50% to approximately 4.88% over the quarter has created modestly more attractive entry points at the long end, but the uncertainty around the ultimate rate path argues against adding duration aggressively. Our bias remains toward the three-to-four year part of the curve, where the income from the coupon provides meaningful carry without requiring a confident view on where long-end rates settle. In credit, the widening of spreads from historically tight levels is beginning to offer more reasonable compensation for issuer risk.

For equities, our below-benchmark allocation has served the fund well this quarter and we are not looking to add materially to equity risk at current valuations and in the current macro environment. Domestically, we continue to see selective opportunity in names with genuine pricing power and earnings visibility - these are the businesses that can pass on cost increases and sustain margins without relying on a favourable rate cycle or expanding consumer spending. The income emphasis of the portfolio is predictable cash flows, dividend yield, and credit

carry — these remain the appropriate anchor in a period where capital gain visibility is low and income generation is where the highest certainty of return resides.

Fund performance & positioning

Against a backdrop of rising yields and volatile equity markets, the fund's return (-1.6%) reflected the partial offset that income and credit provide in difficult periods. The carry generated by the fixed income sleeve continued to accrue and the portfolio's running yield on the bond book produced positive income through the quarter, even as capital values were modestly lower as NZ wholesale rates moved higher. This is the intended dynamic for a fund of this nature - the income provides ballast when capital markets are under pressure.

The most significant activity in the portfolio over the quarter was a substantial repositioning within the fixed income sleeve. We exited three of our larger NZ corporate bond positions - Vector Limited (2027), Kiwi Property Group (2028), and Precinct Properties NZ (2027). These were low-coupon names where credit spreads had compressed to levels we considered inadequate compensation for the duration and credit risk being carried. With the NZ corporate bond market at historically tight spreads heading into the quarter, the risk-reward of continuing to hold these positions was unfavourable. The proceeds were deployed into higher-quality and better-yielding paper with a meaningful new position in New Zealand Government bonds and new exposures to Bank of New Zealand, Housing New Zealand and Westpac New Zealand. The net result of this activity was a portfolio with a higher running yield, a materially better average credit quality, and a maturity profile concentrated in the three-to-four year range — where we believe the compensation for duration risk is currently most attractive.

Within the existing bond book, performance was split along duration lines as would be expected in a quarter where the 10-year NZ government yield rose approximately 40 basis points to reach 4.88% by end-March. Shorter-dated and higher-quality positions, including several of the two-to-three year infrastructure names and the Australian credit positions, held up well and contributed positively. Longer-dated positions, particularly those extending to 2031 and beyond, experienced capital mark-to-market losses as the curve sold off.

We are selectively reducing duration in the portfolio, focusing new additions on the shorter end of the investment-grade credit curve and continuing to prioritise income security over capital gain potential in the current environment.

The equity allocation detracted from fund performance over the quarter, with the Australasian equity and property sleeves both lower in a difficult domestic market environment. Global equity holdings were broadly weaker in line with international markets. As an income-oriented fund, the equity weighting is relatively modest, and this allocation is managed with a deliberate bias toward names with predictable cash flows and dividend income characteristics. The direction of travel is to build positions in quality defensive businesses with resilient earnings.

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:



TOITŪ



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STEWARDSHIP CODE
AOTEAROA NEW ZEALAND



Responsible Investment Association Australasia

For more information on our Funds, please contact:

Level 29, SAP Tower
151 Queen Street, Auckland
New Zealand

P 0800 646 833

E info@mintasset.co.nz

www.mintasset.co.nz

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