# Methodist Trust Association

DISTRIBUTION LETTER

June 2026

Dear Depositor

## MTA DISTRIBUTION RATES

The Methodist Trust Association (MTA) is pleased to advise the distribution rates for its Income and Growth & Income Funds for the quarter ended 30 June 2026.

**The Income Distribution Rates are:**

| | Jun 2026 | Mar 2026 | Dec 2025 | Sep 2025 | 12 Month Avg. |
|---|---|---|---|---|---|
| **Income Fund** | **4.78%** | 4.85% | 4.67% | 4.65% | **4.74%** |
| **Growth & Income Fund** | **2.75%** | 2.52% | 2.48% | 2.38% | **2.53%** |

Income distributions for the quarter totalled **$3,230,957.**

Income & capital distributions for the quarter totalled **$20,817,208.**

The Income Fund's depositors have been credited with a capital accretion of 0.65% for the quarter, or $1,024,189, comprising the Fund's share of the revaluation gain on the Izone property in Rolleston. **The Income Fund's total annual return for the year ended 30 June 2026 is +5.39%.**

The Growth & Income Fund's total return to depositors has been increased by a capital accretion of 8.85% for the quarter, or $16,562,061, following a positive revaluation of the equity portfolio and a positive revaluation for the Fund's ownership interest in the Izone property in Rolleston. **The Growth & Income Fund's total annual return for the year ended 30 June 2026 is 11.38%.**

### PAYMENT OF DISTRIBUTIONS

Income distributions will be made into depositors' accounts on **Wednesday 22 July 2026** by direct credit.

### INVESTING IN THE MTA FUNDS

An investment with MTA is an investment in one of MTA's two diversified investment funds. Both investment funds are managed in accordance with the Church's Responsible Investment Policy.

#### Income Fund

The Income Fund's objective is to provide income returns that over time are superior to those available in the general market for similar investments. The fund also maintains sufficient liquidity (cash) to allow you access to your funds at any time, with no penalty.

**Growth & Income Fund**

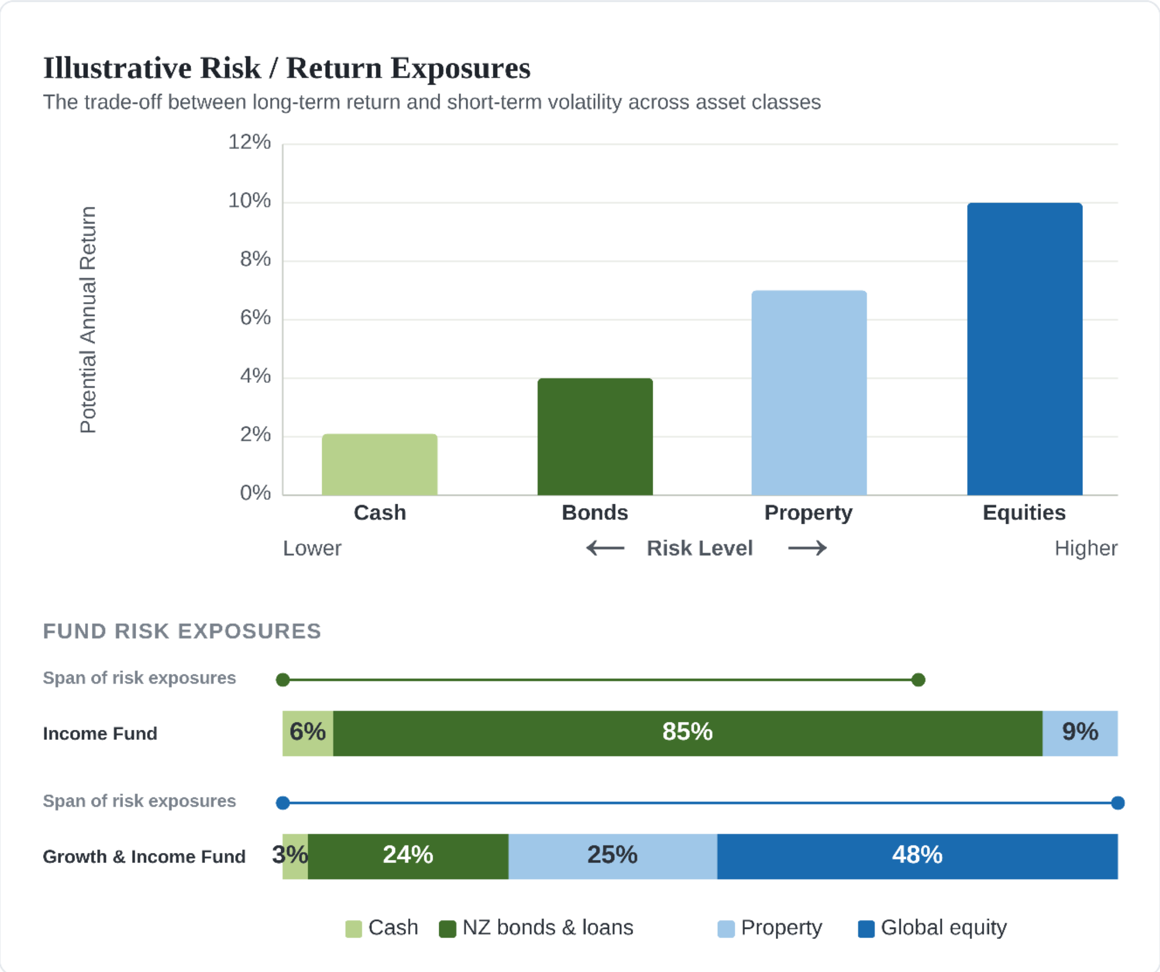
The Growth & Income Fund's objective is to provide superior longer-term returns, with a much higher focus on long-term capital growth and less focus on short-term income. For this fund there is risk of capital loss, particularly over shorter periods (less than 3 years).

Over the 10-year period to 30 June 2026 the Growth & Income Fund has produced a total return of 7.9% p.a. Within that 10-year period there were two negative years – 2022 (-8.5%) and 2024 (-1.9%).

MTA's responsible investment criteria also ensure that your investments are compliant with Church policies and values, resulting in MTA meeting both your financial and ethical requirements for investments. Responsible investing is entrenched in our research and investment decision-making processes.

## MTA FUNDS RISK AND RETURNS

The following illustrative risk/return chart shows each fund's allocations to lower-risk (green) and higher-risk (blue) asset classes. There is a clear trade-off between long-term returns and "risk" taken.




The Income Fund invests in mainly lower risk (green) asset classes, which will result in lower investment returns, but with highly predictable returns.

The Growth & Income Fund invests across the risk spectrum, with its highest weightings in the (blue) higher-risk assets. This should result in higher returns over the longer term, but with that comes greater short-term volatility of returns from year to year.

In the above commonly used context, "risk" mainly means short-term volatility, although in equities there is also the risk of permanent loss of capital.

In the 2025 Annual Report I discussed the importance of focusing on the real (adjusted for inflation) return. This is the return that would be available for depositors to spend, after they retain and reinvest enough funds to maintain the real value (spending power) of their deposit.

If you are investing funds for long-term purposes, it is almost certain you will fail to maintain the real value of your deposit over the long term, if you only invest in the lower-risk (green) asset classes.

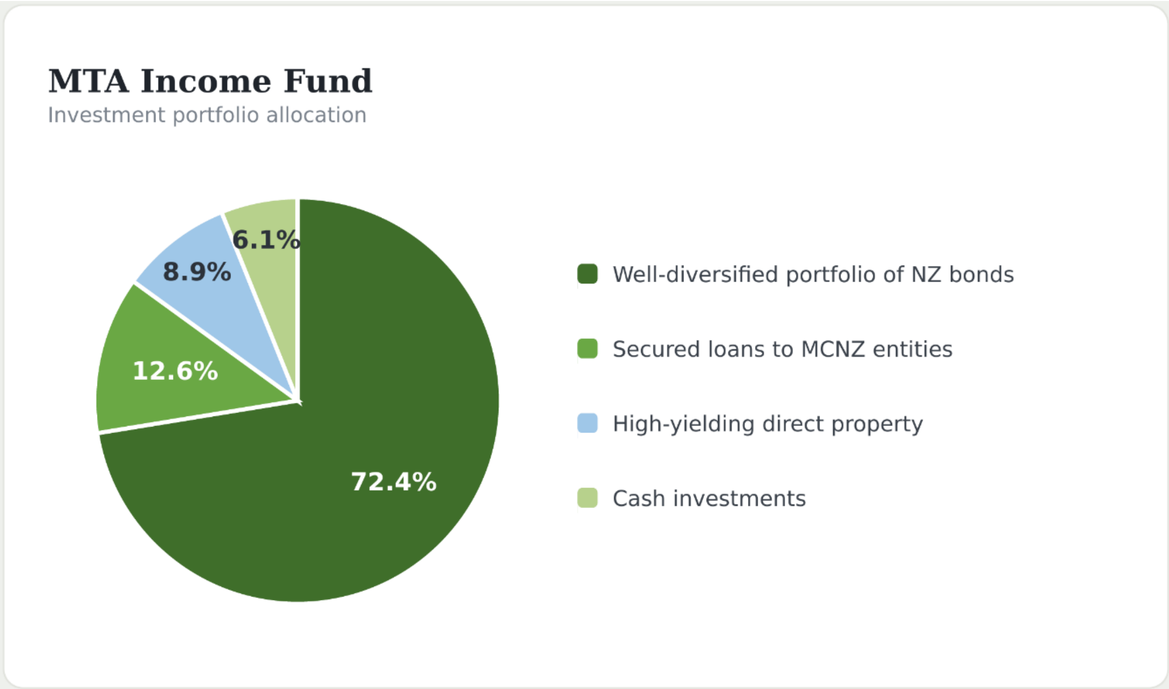
If you are unsure which of the funds you should be invested in, please contact MTA's Executive Officer, Stephen Walker, to discuss your circumstances and objectives.

For either fund, new or additional deposits are welcome from any Church group, responsible in whole or in part to the Conference of the Methodist Church of New Zealand. Deposits cannot be accepted from any other group or from any individual.

## INCOME FUND

The Income Fund's total annual return for the year ended 30 June 2026 is **5.39%**.

The asset allocation for the Income Fund's investment portfolio is shown below.




We are pleased to raise the forecast distribution rate to **4.80 to 4.90%** for the June 2027 financial year. We expect each quarter to be in the 4.80% to 4.90% range and expect to see rates incrementally increase through the year.

Unlike bank term deposits, **MTA Income Fund deposits are not locked in for any term. They can be withdrawn at any time, with no penalty**. This can be very important should your circumstances change, resulting in an urgent need to access some of your money.

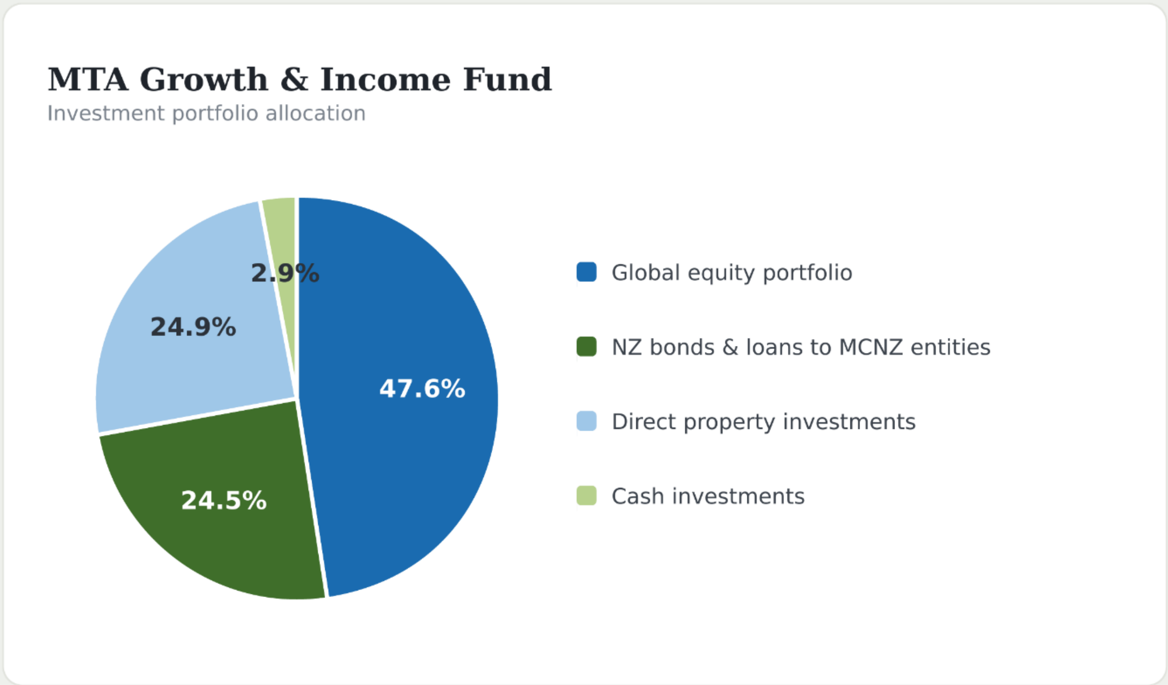
Your investment with MTA also enables us to provide loans for a variety of mission-related projects throughout the Connexion, when sufficient funds and liquidity permit.

The total annual return for the Growth & Income Fund to 30 June 2026 is 11.38%. The average income return for the year was 2.53%.

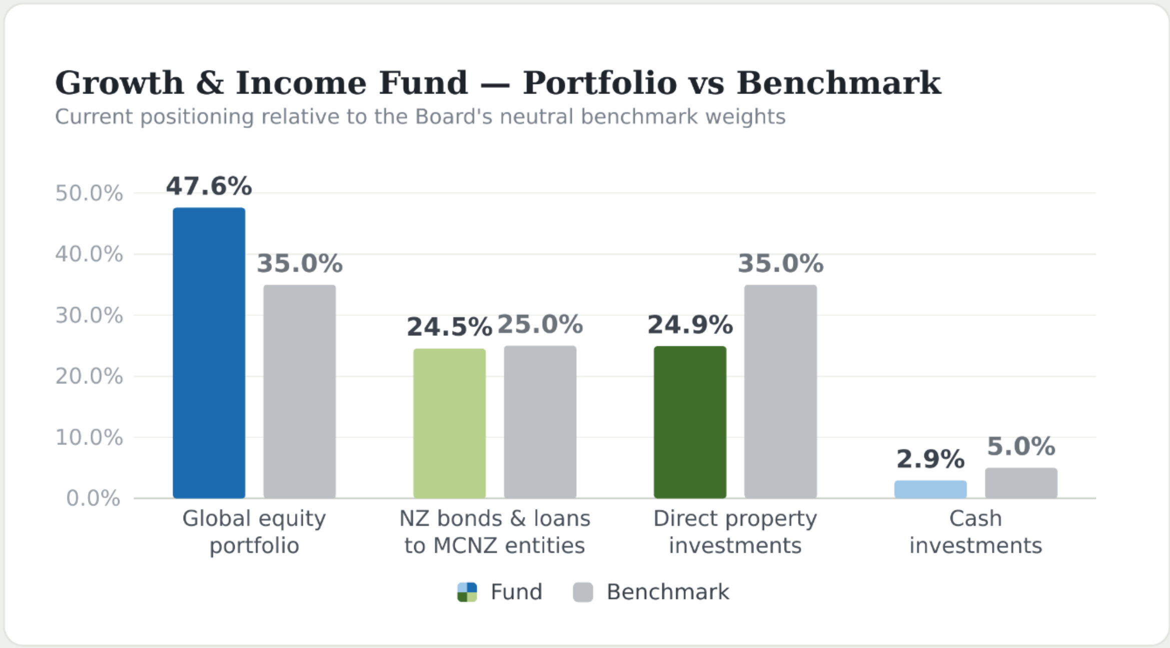
The lower income distribution rates for the Growth & Income Fund, relative to the Income Fund, reflect the different objectives for this fund, which is primarily focused on long-term capital growth. Consequently, a large portion of the portfolio is invested in international share markets, where income yields are much lower than most other asset classes.

Over the longer term this approach is expected to produce higher total returns through capital growth but result in a lower income component within those total returns.

The asset allocation for Growth & Income Fund's investment portfolio is shown below.




The Growth & Income Fund's investment portfolio is currently overweight equities (shares) compared to the fund's benchmark, benchmark-weight on Bonds, and underweight in both property and cash, as shown below.




Note: The benchmark weights are the neutral position set by the MTA Board. Each asset class is managed within a range around (over and under) its benchmark weight, with the position taken reflecting our relative risk-adjusted return expectations for each asset class.

The Fund's equity portfolio continues to favour resilient, high-quality growth businesses, positioned to benefit from longer-term structural changes.

The Fund's largest equity holdings on 30 June 2026 and their respective June quarter returns are listed below.

## TOP 10 EQUITY HOLDINGS

**Largest Equity Holdings at 30 June 2026**

| | Sector | Industry | Weight | Period NZD Perf |
|---|---|---|---|---|
| **Kymera Therapeutics Inc** | Health Care | Pharmaceuticals, Biotechnology | 8.40% | +39.3% |
| **Protagonist Therapeutics Inc** | Health Care | Pharmaceuticals, Biotechnology | 7.19% | +17.7% |
| **Alnylam Pharmaceuticals Inc** | Health Care | Pharmaceuticals, Biotechnology | 7.19% | –7.9% |
| **MongoDB Inc** | Information Technology | Software & Services | 6.23% | +38.9% |
| **Manhattan Associates Inc** | Information Technology | Software & Services | 4.71% | +5.9% |
| **NICE Ltd - Spon ADR** | Information Technology | Software & Services | 4.67% | –16.6% |
| **Corning Inc** | Information Technology | Technology Hardware & Equipment | 4.23% | +90.3% |
| **Wise Group PLC-Cl A** | Financials | Financial Services | 4.20% | +1.6% |
| **General Motors Co** | Consumer Discretionary | Automobiles & Components | 4.16% | +4.9% |
| **Owens Corning** | Industrials | Capital Goods | 4.03% | +49.5% |

*Weight relates to the weighting in the listed equity portfolio, which was 47.6% of the Fund on 30 June 2026

The equity portfolio rose 13.63% for the June quarter and 20.11% for the financial year.

## WORLD MARKETS

Global share markets had a strong June quarter with the MSCI World Total Return Index rising 13.8% for the quarter in US dollars (and +15.1% measured in NZ dollars).

The second quarter of 2026 marked a turning point for global financial markets. After a volatile start to the year dominated by an energy shock, investor sentiment shifted decisively.

Easing geopolitical anxieties, a sharp reversal in commodity prices, and the resurgence in the artificial intelligence infrastructure trade resulted in global equities recording strong quarterly returns.

Signs of a ceasefire framework led to a collapse in oil prices, with Brent crude falling 15.1% during the quarter. Overall, commodities lost 8% during Q2. Easing energy costs also helped moderate headline inflation globally.

Underpinning the equity rally was a robust U.S. Q2 earnings season. Profit margins expanded as corporate earnings grew strongly, proving that underlying economic demand remained resilient despite low consumer sentiment indices.

Global equity performance diverged significantly by region, heavily dictated by exposure to either the semiconductor supply chain or the commodity downturn.

Major market returns were strong over the quarter. In the USA the S&P 500 Index (+15.2%) outperformed the MSCI Index. The NASDAQ Composite Index outperformed, rising +21.6% (the NASDAQ 100 rose +27.7%).

In Europe the STOXX Europe 600 index gained +10.0% and the UK's FTSE 100 index gained +3.2%. Japan's TOPIX index gained +14.2%. Australasian markets lagged the global rally, with the NZX50 gaining +5.5% and the Australian ASX 200 gaining +4.0%.

In currency markets, the NZ dollar fell 1.2% against the USD, fell 1.5% against the Australian dollar and fell 1.5% against the British pound, and was little changed against the euro.

### Bond yields

Over the June quarter New Zealand long-bond yields fell, while offshore yields were mixed. In New Zealand the 5-year Government bond yield fell 0.40% to finish the quarter at 3.84% and the 10-year bond yield fell 0.37% to finish at 4.36%. The US 10-year yield rose 0.15% to 4.47%, and the 30-year yield rose 0.04% to 4.95%. In Europe the 10-year yield fell 0.14% to 2.86%.

### Central Banks

- US Federal Reserve: 3.50% – 3.75% — Held steady amid persistent inflation.
- United Kingdom (Bank of England): 3.75% — Held steady; expected to remain here through late 2026.
- Europe (European Central Bank): 2.25% — Main deposit facility rate; raised by 25 bps in June 2026.
- Canada (Bank of Canada): 2.25% — Held steady for the fifth consecutive time.
- Australia (Reserve Bank of Australia): 4.35% — Kept at this level to combat stubborn core inflation.
- New Zealand (Reserve Bank of NZ): 2.25% — Held steady, though future tightening remains possible.
- Japan (Bank of Japan): 1.00% — Raised to a 31-year high to curb mounting energy costs.

### Resource prices (in US dollars) for the quarter

- Oil prices fell: WTI crude -14.9% and Brent crude -15.1%.

- Precious metals were weak: gold -14.1%, silver -22.0%, platinum -20.5% and palladium -18.1%.
- Coking coal fell 2.6%.
- Agricultural commodities were weaker: corn -10.0%, wheat -7.7% and soybeans -1.2%.
- Base metals were mixed: copper rose +8.4%, zinc +10.1% and tin +10.3%, while aluminium fell 11.0%, nickel 4.8%, iron ore 8.5% and steel 0.3%.

## IMPACT FROM IRAN CONFLICT

Geopolitical tensions that had weighed on markets earlier in the year eased over the June quarter.

Global markets recovered over the quarter as a ceasefire framework emerged. At 30 June the calendar year to date return for the MSCI World Total Return Index was 9.7% in USD.

The US equity market, which benefits from being far away from the conflict and from being less reliant on imported oil and gas, has continued to outperform over the calendar year to date period.

Since June the Iranian conflict has worsened. To date financial market movements have been mildly negative. The comments in the previous paragraph remain valid. We also expect the conflict to be de-escalated once again, as it's in both sides' interests to do so. A lasting peace will probably take much longer.

## ARTIFICIAL INTELLIGENCE

The media usually tells us that Artificial Intelligence (AI) is going to have incredibly negative societal impacts: there will be large-scale white-collar job losses and unemployment will be generally higher. In truth, the impact of AI is likely to be very positive overall, although some people will experience setbacks, which is normal with new productivity-enhancing technologies. Tractors and other farm machinery replaced farm workers. Not many of us wish we were manual farm workers. Arguably AI is the most democratised technology we've ever seen.

Over the next 10 years AI will dramatically transform all of our lives. It is a general-purpose, productivity-enhancing technology, that's going to make us and businesses more productive across all the areas it touches. And eventually it will touch most of the economy. It will have a profound impact on how information is processed and used, and where it is available.

We're already seeing businesses achieving significant productivity improvements from AI. The capabilities of the frontier models like Anthropic's Claude and OpenAI's ChatGPT, have advanced rapidly, to levels that are already astonishingly good.

Consider the analogy of the internet, the last major transformational technology, when many of the same negative arguments were made. Few would now consider the internet to be a bad thing. There have been bad impacts, but they are dwarfed by the benefits of ubiquitous access to information. The internet in turn enabled cloud computing and the smartphone. In my view these enabled us to successfully navigate through Covid lockdowns without catastrophic economic damage. The internet also enabled the creation of new transformative companies like Amazon, Google and Netflix. Of course some industries suffered, like print media, but we all benefitted from the evolution to new, better, often free-to-use products and services like Google Maps.

Huge investments are currently being made in AI and the build-out of the supporting infrastructure, including data centres. Much of this investment is being led by some of the most profitable companies in the world, who are largely funding this massive infrastructure build-out through their internally generated cash flows. The reported debt financing, while large in absolute terms, is actually fairly modest when compared to the profitability and value of the companies making these investments. Personally, I am sceptical about whether the financial returns on these investments will be acceptable, but not making those investments could result in those businesses being left behind, as print media was.

Consistent with the history of productivity-enhancing technologies, AI should enable more rapid economic growth. New business formation should also be faster.

Initially the productivity benefits being realised from AI are the most important component from an economic point of view. US labour productivity has grown at an annualised rate of about 1.5% since 2000, representing 60-70% of US GDP growth (2.0-2.5% p.a.). Many think AI could more than double the rate of productivity growth, significantly lifting GDP growth with no associated inflationary impact. Longer term, growth will also be boosted by value creation from new AI-enabled products, services and new business models. Productivity benefits will be competed away, benefitting consumers, but not really advantaging businesses, as those benefits are available to all. Businesses that don't take advantage of AI productivity benefits will struggle or fail.

My advice to you is to use and embrace AI. You can just sign up and ask AI "What can you do for me?" You could also hand it an actual task from your day, a document that needs tidying up, or a PDF you want data from. Treat AI like a capable colleague — it's great for drafts, summaries, and any tedious repetitive work. But do check anything that matters, because AI can be confidently wrong. It can also be lazy, frustrating and make guesses.

Within days, possibly even hours, you could be saving significant time in your daily tasks. If you do things in a certain way, because it has always been done that way, now is a great time to reconsider that approach.

From an investment impact point of view, any time you have a big technology change, there's going to be a lot of uncertainty, and there are going to be winners and losers. One area of uncertainty is software, an industry undergoing a massive transformation. Share prices have dropped on the premise that growth will be slower and switching barriers and costs have been lowered. The cost of code generation has significantly reduced, which creates the opportunity to do more with the existing resources, creating richer, more powerful systems. For software companies, coding is a small percentage of a company's costs and their value proposition. A significant source of the value they offer is in their service, customer support, compliance, data governance, domain expertise, as well as architectural decisions and interpreting user needs. Software companies also regularly release updates and new features based on developing customer needs. Enterprise customers prefer an integrated software service, so they don't have to manage it themselves, and can focus on where their business does create value for their own customers.

We believe our software holdings should be winners, but the market has so far been indiscriminate in how it views the sector.

Productivity gains will benefit many industries, including biotechnology, where there is an opportunity to streamline regulatory processes and clinical trials, as well as opportunities to improve the drug discovery process.

Ultimately AI should lead to stronger growth and faster new business formation, while inflation should decrease. This sets up a positive environment for investing.

Within the investment division of the Church, we are already realising significant efficiency benefits from using AI. We do not use AI to make investment decisions, but we have used it to automate time-consuming tasks and to organise information to enable more efficient processing in our investment analysis activities. One example is reconciling all currency bank and holding balances with our custodian's reports, for all our investment funds. This task used to take around 4 hours. We can now upload the files into our system and have the results in a few seconds. Setting new processes up takes time, but I would estimate ongoing efficiency benefits of more than 20%, and it's still early days.

## RESPONSIBLE INVESTMENT

Our goal is to produce risk-adjusted returns that align with the values and principles of the Methodist Church, as well as our investors' return objectives.

We access the information we use to implement the Church's Responsible Investment Policy (which is available on the MTA website) from Institutional Shareholder Services Inc (ISS).

At 30 June the fund had no exposure to any companies with >5% of revenues from activities prohibited under the controversial-weapons, Church ethical or fossil-fuel screens.

The Church's Responsible Investment Policy restricts us from owning many of the largest companies in the world, since larger companies have a much broader range of products, services and customers, making it more likely that they have some activities that are not in keeping with church values.

### Values/Ethical Negative Screens

The Methodist Church of New Zealand will not invest in companies that derive >5% of their revenue from products and services listed below, that are not aligned to the principles of the Methodist Church.

**Ethical Screening**

- Alcoholic beverages
- Adult Entertainment
- Civilian Firearms
- Conventional Weapons and munitions
- Gambling
- Nuclear bases
- Privately operated correctional facilities
- Tobacco and vapes

**Controversial Weapons Screening**

- Anti-personnel Mines
- Biological Weapons
- Cluster munitions
- Chemical Weapons
- Depleted Uranium
- Incendiary Weapons
- Nuclear Weapons
- White Phosphorus Weapons

**Energy & Extractives**

- Exposure to Fossil Fuel Activities - Coal, Oil and Gas

At 30 June the fund had no exposure to any companies with >5% of revenues involved in any prohibited activities related to the above issues.

### Norm-Based Research Integration

Norm-Based Research includes assessing investments against minimum standards of business practice based on national or international standards and norms such as the International Labour Organisation conventions, the OECD Guidelines for Multinational Enterprises, the UN Global Compact or the UN Guiding Principles on Business and Human Rights.

ISS research assists MTA by flagging any exposure, as well as providing detailed information on any issues. This enables MTA to make robust decisions regarding companies' adherence to global norms on anti-corruption, human rights, environmental protection and labour standards.

We use Norm-Based Research to assess supply chain risks (e.g. child/forced labour) and to identify and understand any companies with military equipment involvement.

**ISS Norm-Based Research covers:**

- Anti-Corruption
- Environmental Protection
- Human Rights (including supply chain exposures)
- Labour Rights/Standards (including supply chain exposures)
- Military Equipment Involvement.

ISS flags only one of our holdings, Porsche, with an amber warning for past failures. The amber signal relates to illegal engine software that resulted in non-compliant diesel emissions in 2015, when it was part of the Volkswagen Group.

At 30 June, the Funds had no exposure to any companies of continuing concern, related to the above listed issues. In addition, no companies were flagged as having issues in their supply chains.

### ESG Integration

We include Environmental, Social and Governance risks and opportunities into our investment analysis and investment decisions.

ESG risks and opportunities are assessed across a company's value chain.

**ESG Assessments include:**

- Upstream risks related to a company's supply chain and natural resource usage.
- Operational risks related to a company's production and operational processes.
- Downstream impacts, positive and negative, from products and services sold.

The portfolio ESG assessment will give a more complete picture in time, as more companies are assessed, and disclosures improve. Currently, reliable data is available for larger companies, especially in North America and Europe.

Where data is available most of our holdings are rated highly by MSCI and mostly rate much higher than their industry peers.

## GLOBAL WARMING ALIGNMENT

We are committed to achieving the International Energy Agency's (IEA) most ambitious pathway, the "Net Zero by 2050" $CO_2$ emissions scenario, defined to be when the amount of $CO_2$ being emitted into the atmosphere by human activity is perfectly balanced by the amount being permanently removed. "Net Zero by 2050" targets limiting global warming to 1.5°C.

Under this scenario the net zero date for all greenhouse gases (GHGs – $CO_2$ + Methane + Nitrous Oxide and others) is 2070, because methane and nitrous oxide are harder to eliminate.

**Portfolio and Benchmark Comparison to SDS Budget**

MTA_PI · as at 30 June 2026 · Red = Overshoot

| | 2026 | 2030 | 2040 | 2050 |
|---|---|---|---|---|
| **Portfolio** | −81.94% | −79.48% | −63.89% | −33.00% |
| **Benchmark** | −38.24% | −25.09% | +43.59% | +207.43% |

MTA_PI is aligned with an SDS scenario to 2050 (potential temperature increase 1.5°C; MSCI benchmark 2°C).

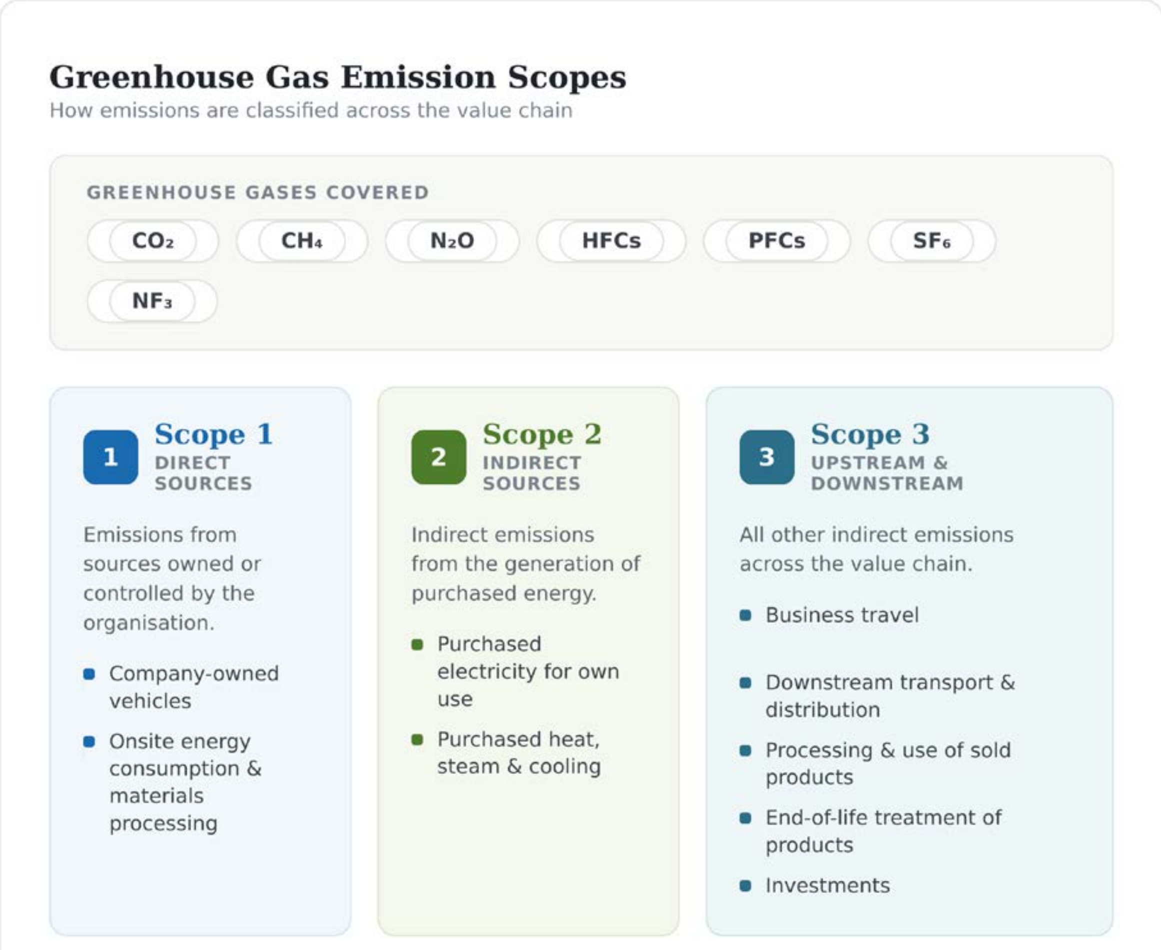
We measure our portfolio's progress against the IEA Sustainable Development Scenario (SDS) Budget for 2050, as shown in the table above. Our portfolio, in its current state at 30 June, is not only aligned, but is significantly undershooting the 2050 budget by 33.0%.

## CLIMATE IMPACT ASSESSMENT

The equity portfolio's annual greenhouse gas exposure on 30 June 2026 (using Bloomberg data) was 870.39 tonnes for Scope 1 & 2 emissions and 21,732.87 tonnes for Scope 1,2 & 3 emissions.

The portfolio was at 44.6% of the MSCI benchmark's level for Scope 1 & 2 emissions (see diagram below for definitions) and at 76.0% for Scope 1,2 & 3 emissions.

## Overview of Greenhouse Gas scopes and emissions



## RENEWAL OF DEPOSITS

In the absence of instructions to the contrary, maturing deposits are rolled over for new terms equivalent to those expiring. Income not withdrawn is credited to capital but remains available for withdrawal upon request by the depositor.

## GROWTH & INCOME FUND WITHDRAWAL POLICY

For the Growth & Income Fund only, the following withdrawal policy applies.

When a depositor wishes to withdraw their total Growth & Income Fund deposit during the financial year, 10% of that deposit will be retained until after the financial year end at 30 June. This will ensure that the depositor participates in the capital allocation at the end of the year, whether it is a capital accretion or a capital decrease. After the capital distribution has been done at year-end, those depositors can close their deposit and receive the balance of their account.

## FEEDBACK

The Board of the MTA is keen to improve its communications with our stakeholders.

Please use the email address MTAFeedback@methodist.org.nz to ask any questions. We would also welcome your feedback on our communications, which information you find useful and what is of no interest to you.

Regards

**Stephen Walker**
**Executive Officer**