

# SALT

## Salt Long Short Fund Fact Sheet – November 2025

### 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.

### Investment Strategy

The Fund aims to deliver positive absolute returns in all market environments. In addition to holding “long-only” NZ and Australian securities, the Fund may, at our discretion, short sell shares, hold cash, lever its assets and utilise active currency management to generate returns (although generally the Fund’s assets will be fully hedged).

### Fund Facts at 30 November 2025

Benchmark	RBNZ Official Cash Rate +5% p.a.
Fund Assets	\$163 million
Inception Date	31 July 2014
Portfolio Manager	Matthew Goodson, CFA

### Unit Price at 30 November 2025

Application	3.4862
Redemption	3.4722

### Investment Limits

Gross equity exposure	0% - 400%
Net equity exposure	-30% - 60%
Unlisted securities	0% - 5%
Cash or cash equivalents	0% - 100%
Maximum position size	15%

### Number of Positions at 30 November 2025

Long positions	54
Short positions	34

### Exposures at 30 November 2025

Long exposure	85.39%
Short exposure	36.57%
Gross equity exposure	121.96%
Net equity exposure	48.82%

### Investment Risk to 30 November 2025

Fund volatility <sup>1</sup>	6.57%
NZ50G / ASX200AI volatility <sup>1</sup>	13.33%
NZ50G / ASX200AI correlation	0.062

1. Annualised standard deviation since fund inception.

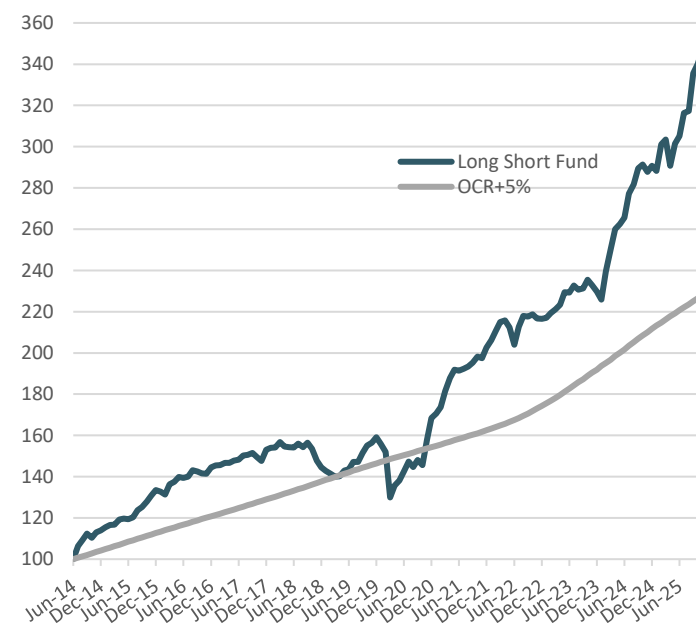
### Fund Performance<sup>2</sup> to 30 November 2025

Period	Fund Return	OCR+5% Return	NZ50G/ASX 200AI Return <sup>3</sup>
1 month	2.10%	0.55%	-1.55%
3 months	9.42%	1.86%	0.61%
6 months	15.20%	3.88%	6.46%
1-year p.a.	20.67%	8.38%	4.74%
2 years p.a.	22.13%	9.34%	11.79%
3 years p.a.	17.00%	9.57%	7.48%
5 years p.a.	17.09%	8.17%	5.43%
7 years p.a.	12.98%	7.53%	8.76%
10 years p.a.	10.25%	7.35%	9.01%
Inception p.a.	11.52%	7.47%	8.79%

2. Fund performance is after all fees and before PIE tax.

3. NZ50G/ASX200AI is a 50/50 blend of the S&P/NZ50 Gross Index and the S&P/ASX 200 Accumulation Index and is for comparison purposes only.

### Cumulative Fund Performance to 30 November 2025



Fund performance has been rebased to 100 from inception.

Past performance is not a reliable indicator of future performance, and no representation or warranty, express or implied, is made regarding future performance.

### Largest Longs

GDI Property Group  
Tower  
DUG Technology  
Servcorp  
Turners Automotive Group

### Largest Shorts

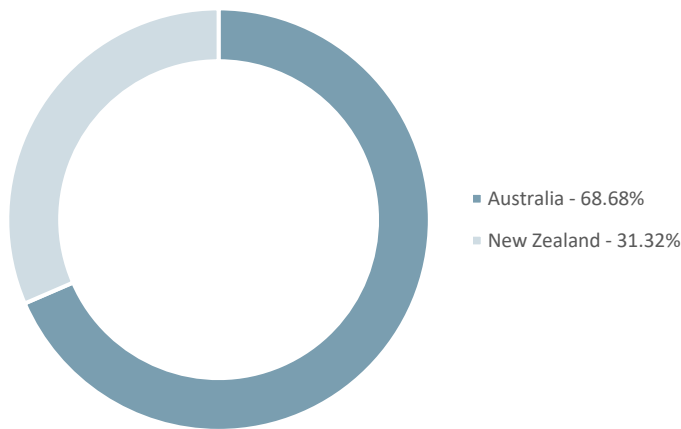
Brambles  
Commonwealth Bank of Australia  
Charter Hall Group  
Monadelphous Group  
Chorus

### SALT FUNDS MANAGEMENT

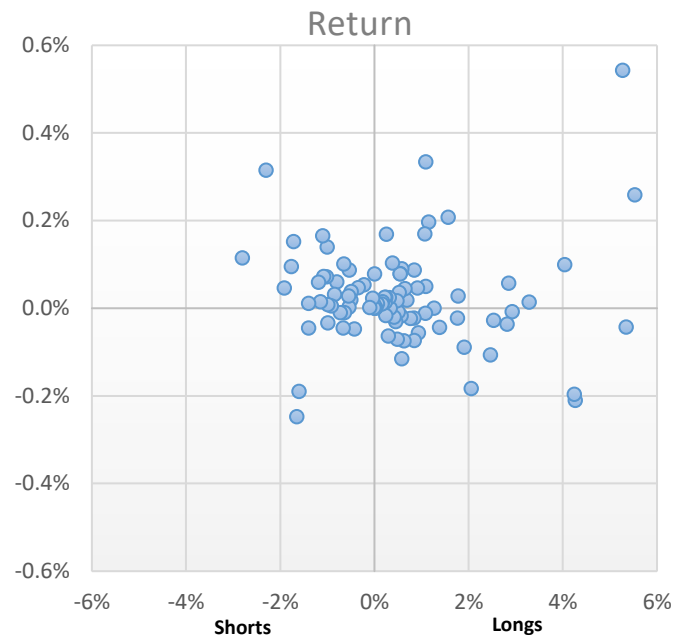
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## Country Allocation at 30 November 2025 (Gross Equity Exposure)



## November 2025 Individual Stock Contribution



## Fund Commentary

Dear Fellow Investor,

We are pleased to report another strong performance by the Fund in the month of November, with a return after fees of +2.10%. This advance was a sharp contrast to the -0.4% decline by the NZ equity benchmark and the steep -2.7% fall by the hitherto invincible Australian equity market. Times are changing across the ditch.

We are delighted to have kept our run of strong performance going and would highlight that while some key names such as Tower and Turners have been spectacular winners over the last couple of years, many other names are also contributing. We have a widely diversified portfolio, with 60 of our 93 holdings delivering a positive return in November, with both our long and short books performing well. There is a constant evolution in what we own as we seek to be positioned for the ever-moving target of what may come next.

November was our seventh month in a row of positive returns. We have had a number of runs like this over our 11-year history and it is inevitable that there will be an occasional negative reversal. Do not expect every month to be positive as this simply will not happen. However, when we do have a pullback, our track record suggests that we are quickly able to reposition the portfolio and carry on.

Last month, we outlined how we were beginning to experience a divergence in economic and monetary policy cycles across NZ, Australia and the USA. This has clear implications for relative equity market performance. The evidence for this divergence only sharpened in November.

We have held a sharply positive tilt towards NZ cyclical names for most of 2025 because markets always move ahead of the hard evidence. Now, this evidence for an economic rebound is becoming increasingly widespread. By contrast, parts of the Australian economy are showing signs of over-heating and markets are beginning to notice. The US outlook is somewhat murkier given the paucity of data during their shut-down but a picture of a “K-shaped” economy is emerging. Top-end consumers are doing very nicely thanks to the wealth effect of equities but the low-end is being hammered by high youth unemployment and ongoing inflation pressures. The bubbly US share market is starting to show a few cracks.

The RBNZ followed their sharp 50bp rate cut in October with a further 25bp cut in November, taking the OCR target to just 2.25%. However, the vote was 5:1 rather than unanimous, a reference to being “open to further reductions in the OCR” was removed and the OCR projection track showed a trough

at 2.20% in 2Q26 but then a gradual lift back up to almost 3.0% by the end of 2028.

In our view, this was almost certainly the last cut. The key question now is whether the remaining sources of inflation in NZ are sufficiently under control for rates to remain on hold for some time. Food price inflation may have peaked with dairy prices coming off recent highs, dwelling rental inflation is now negative according to Trade Me listings data and insurance inflation is close to zero overall. Local authority rates are the biggest issue but there is enormous pressure for these to be reined in and a rate-cap policy has been announced. At this early point, we are hopeful that 2026 could see the RBNZ on hold all year at 2.25%.

With inflation largely under control, there is plenty of spare capacity in the economy for growth to re-emerge and there were green shoots everywhere in November. To do them justice, consider the ad hoc list below:

- The ANZ Business Outlook Survey for November showed that a net 53% of firms expect their activity level to improve over the next year. This measure has cried wolf several times but it is the most positive reading since 2014.
- The labour market always moves last. While the September quarter HLFS Survey showed 0% growth in employment, hours worked are a canary in the coal-mine and they rose +0.9%.
- Scentre Group's NZ sales were -0.4% y/y for the overall September year but they were +2.0% y/y for the September quarter. They are clearly turning.
- Official retail sales data for the quarter showed a solid rebound in core retail sales to +4.6% y/y, with volumes advancing +4.2%, implying retail price inflation of just +0.4% y/y.
- REINZ data for October showed house prices largely flat y/y but sales volumes rose +6.4% y/y and were 108% of their pre-Covid average. Our read is there is a large inventory overhang that will keep a lid on prices but the market is gradually beginning to clear.
- This will be helped by a sudden outbreak of mortgage competition. An unusual proportion of fixed mortgages come up over the next several quarters and a couple of banks are offering 1.5% cashbacks. These will no doubt boost sales of consumer durables.
- Centrix data showed that mortgage arrears in October fell to 20,900 (1.35% of total), a two-year low and a turnaround from the 24,000 (1.58%) in March which was an eight-year high. This will almost certainly fall further as rate cuts feed through.

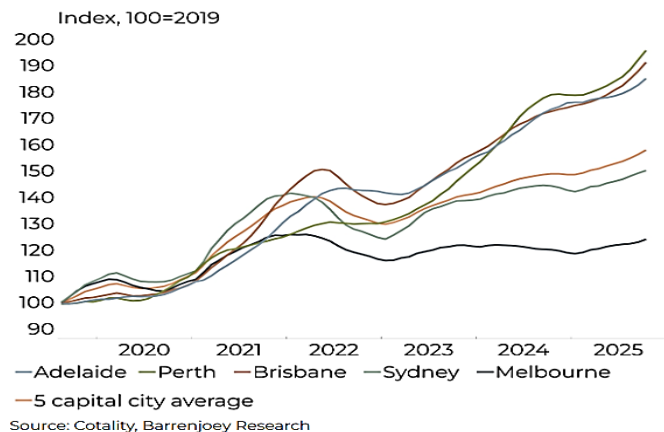
- October building consents showed that overall construction consents rose +10.8% y/y and the floor area for new dwellings (key for Fletcher Building et al) rose +22.9% y/y.
- Feedback from a large listed NZ property owner is they are seeing an extremely sharp pick-up in tenant enquiry across both office and industrial property.
- The ANZ Bank Truckometer for Light Traffic is a useful forward indicator and it showed +3.2% y/y growth in October, showing a continued gradual climb out of a trough of multi-year weakness.
- The NZ yield curve is unusually positively sloped, being +1.74% from 90-day bills to 10-year bonds. The last time it was this steep was in the post-GFC period. This is a positive albeit not infallible guide to stronger future growth.
- One moderate negative is that dairy prices may be topping out at high levels, with low grain prices driving stronger Northern Hemisphere production. Fonterra lowered the mid-point of its farmgate milk-price forecast from \$10.00 to \$9.50. Red meat and horticultural prices remain very strong but this may herald the beginnings of a classic NZ economic cycle where a rebound starts in the provinces and finishes in the cities – which are only just starting to emerge from a deep funk.

Unsurprisingly, given all the above, the Fund remains sharply net long NZ, and within that, we are very long NZ cyclicals. Current examples include Fletcher Building, Heartland, NZME, NZX and Turners. This call has worked really well and we think there is plenty more to come as the reality of earnings upgrades rather than just their expectation starts to feed through.

By way of contrast, the “lucky country” Australia is far later in their economic cycle and is beginning to overheat. Their problem is a familiar one to NZ investors, in that they are experiencing broad-based inflation pressures that are partly driven by an over-exuberant housing market and sharp immigration growth.

Australian dwelling prices for November soared +7.5% y/y, rents rose by +5.5% and rental vacancy is near a record low at just 1.5%. The chart below from Barrenjoey puts some perspective on how the Australian housing boom/bubble never had the pullback that NZ experienced when the post-Covid funny money era came to an end. After a brief hiatus, prices just kept on soaring.

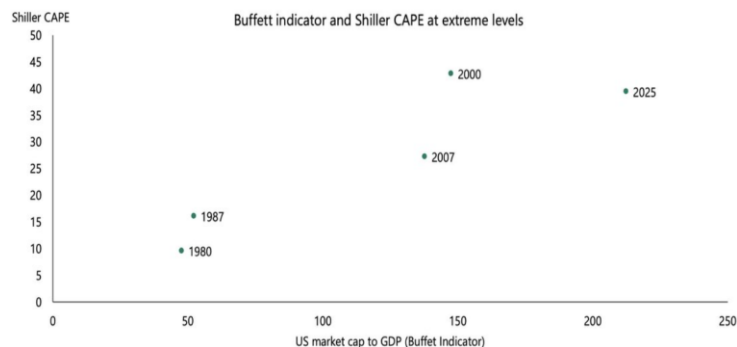
Chart 6 - Mid-sized capital cities have experienced a 80-100% rise in house prices since 2019



This has had a major wealth effect in terms of demand for consumer durables such as cars and furniture and has spilled over into broader CPI inflation. Australia's October month CPI showed headline inflation jumped to +3.8% y/y versus +3.6% expected. This followed high September quarter trimmed mean CPI inflation that surprised at +1.0% q/q and +3.0% y/y. Roy Morgan Inflation Expectations were running at a two-year high of +5.4% in late November. Forget about further rate cuts, many economists are now wondering whether the first RBA hike is in February or May.

The Fund is largely positioned for this, being short consumer durable stocks such as Nick Scali and AP Eagers and short the more housing exposed REITs such as Stockland and Mirvac. Overall, the Fund is long NZ cyclicals, short Australian cyclicals/large caps and long Australian defensives/small caps.

The overall backdrop for equity markets down under is still being driven by a US market that trades at extreme overall valuations despite numerous constituent sub-sectors being down for the year.



The chart above from Apollo provides a succinct summary of just how extended the US market is in terms of both cyclically adjusted valuation ratios and how it is over-financialised relative to the size of the real economy. Aside from the equity market being over-sized relative to GDP, an example of what this means in practice was this typical comment from a US

equity market strategist during the month: "Term structure inversion signal presents a tactical opportunity to go long cheap gamma, short vega and long delta." Fundamentals whatever... cash is flying around everywhere and a huge segment of the market is now entirely focused on various esoteric momentum and volatility driven strategies. This is high flight-risk capital in the event of any unexpected negative catalyst.

Related to the idea that the AI boom/bubble might be at risk if "liquidity" suddenly dries up, we have seen a real-life worked example over the last few weeks with the implosion of many crypto markets. The chart of the Nasdaq Crypto Index below shows how it has fallen from a recent high of 6,400 to 4,200 as this is written. Nothing moves a market like the margin-clerk!



One interesting spillover from the crypto boom/bubble has been a surge in demand for gold. We have been relatively positive and have been 1-2% net long for most of the last few years but we are tapering this back as we do not have the faintest idea of whether the great gold bull market will continue. We were somewhat shaken by data for the September quarter that showed by far the largest individual gold buyer was Tether, who purchased 26.0t as backing for its stablecoin and on the demand the tokenised gold. The party is rocking but we have no idea whether it is 9pm or 3am, so we will let others enjoy the next stanza. The crypto collapse does not bode well.

In tandem with this reckoning in the most speculative corners of financial markets, it is noticeable that a few cracks are forming in the AI/data centre edifice. While the mighty Nvidia is only -10% off its recent all-time highs, lesser quality plays have been hard-hit. The chart below of the most prominent neo-cloud company, Coreweave tells a tale. The Fund no longer has any direct exposure to this sector, with our successful holding in Global Data Centres being taken over some time ago and we have no position in the likes of Next DC or Goodman Group.





### **Fund Performance in November**

Returning to the Fund's performance in the month of November, our overall return of circa +2.5% saw the much-sought but oft-elusive occurrence of sizeable value being added from both sides of the ledger. Our long book contributed circa +1.3% and our short book added +1.2%. This partly reflected our shorts being concentrated in the expensive and poorly performing large cap Australian market, while our longs were exposed to the less negative NZ market. Our overall "winners to losers" ratio was a very strong 65% and we actually had 31 out of 56 longs work despite markets begin rather ugly in the month. For the record, 19 out of 27 shorts worked.

Our gross position (longs + shorts) rose from 117% to 123% over the month, which reflected our usual reflexive contrarian response to volatile markets as well as a couple of opportunities from heavily discounted and slightly loose placements by Precinct Property and Vital Healthcare Property in NZ. We view both those as likely offering solid returns on a 3-6 month view and being very low risk at the discounted entry prices. There is plenty of room for our gross positioning to lift further as volatility provides opportunities (which is the opposite response to volatility where many investors are forced to reduce risk).

Our net position (longs – shorts) rose a little from 47.2% to 48.8%. Again, this reflected the two property placements and our response to weaker markets.

In terms of market volatility, there was again a high number of ten negative days for the 50/50 index of Australia/NZ, with the average decline on those days being a sharp -0.54%. Despite our relatively high net length, the Fund was up on four of those ten days and had an average return on all of them of +0.08%. Yet again, the lack of correlation between this Fund and Australia/NZ equity markets is coming through, with the

actual coefficient over our 11+ years being 0.06 – not statistically different to zero. The aim of this Fund is to provide equity-like returns with no correlation to equity markets and less volatility than them – we will strive to keep delivering this.

While there were no massive single winners or losers in November, there was a solid tailwind from our large long-held position in Turners (TRA, +10.4%). Their result was rock-solid despite all the stars not quite aligning for them just yet. Their credit collection business is still in the doldrums, an industry-wide dearth of Japanese imports is creating more competition for buying cars and they are yet to see a full-scale upswing in Auckland and Wellington. Despite this, they still delivered +13% NPAT growth in the Sep25 half and they are very well positioned for a broader economic upswing in 2026. Keen-eyed readers may notice that our position size hasn't changed a great deal. This reflects our usual portfolio management where we tend to sell a little more on strong days than what we buy on the very occasional weak days.

A second winner was slightly more fortuitous in the form of a moderate long in Monash IVF (MVF, +23.2%). This name has caused us much angst over the last few months but we bought relatively aggressively on recent weakness. Their AGM update was sombre and at the bottom-end of much-downgraded guidance but this was implicitly priced already. It was followed soon after by news that they had turned down one takeover approach and that other vultures may be circling.

Our large holding in Tower (TWR, +4.9%) is not quite the mega-high conviction long that it was when the share price was 50% lower, but it is still sizeable at around a 5% weighting. Their result was excellent and featured a massive final dividend of 16.5cps to make 24.5cps for the year. It seems like yesterday that we received a lot of heat for owning this name when the share price was 70cps! The insurance cycle has clearly peaked, but despite pricing headwinds, TWR should still be able to drive moderate GWP growth by growing policy numbers, with the upcoming Westpac deal being a highlight. Unusually low BAU claims were a feature of 2025 and analysts assume these claims normalise in the 2026 year. Directionally, this will no doubt occur to some extent, but the first two months have started well and TWR's housing book is far lower risk than in the past. Our sense is there could be upgrade risk and that's before we even get to the vagaries of large claims where market assumptions continue to be worst case.

Another strong contributor was our good-sized short in the former widow-maker, Commonwealth Bank (CBA, -11.2%). Their Q1 update highlighted that CBA will struggle to deliver any growth as competitive pressures swirl around its powerful

market position. Competition is being particularly driven by Macquarie Bank's rapid growth in the home mortgages as they do not bear the cost of legacy systems or a vast branch network. We have traded the position around a little, but even with the pullback, CBA is on a forward PE of 24.2x.

Headwinds were smaller and less numerous than the tailwinds. The largest was our moderate short in the booming mining engineering contractor, Monadelphous (MND, +15.3%). Everyone seems to love it and conditions are very strong but a PE of 26x forward earnings seems rather aggressive when the end-markets are notoriously cyclical (whereas much of the sell-side seems to model straight-line growth forever). In any case, we largely paired MND off with a long in the far cheaper sectoral exposure, Emeco (EHL, +15.0%).

Three of our favourite longs all had moderate pullbacks in the month. The remarkable rise of Servcorp (SRV, -4.3%) had what will hopefully prove a brief hiatus on no new news. Likewise, DUG Technology (DUG, -4.1%) had a further pullback post its meteoric surge of two months ago. Intelligent Monitoring Group (IMB, -8.1%) weakened following a seasonally soft first quarter but they reiterated their full-year guidance. We are like moths to a flame when a stock is on a PE of 7.3x and has a long growth runway. A final laggard was our short in Charter Hall (CHC, +10.8%), which we hold as a hedge against various Australian property longs and which we view as having become very expensive.

Thank you for your continued support and interest in the Fund. We are delighted to have kept our run of strong performance going and would highlight that it has broadened beyond a couple of key names such as Tower and Turners which have been spectacular winners over time. Many other names are playing their part as we constantly evolve the portfolio to be positioned for what may come next.

In terms of market views, our lonely bullishness on NZ is becoming more widely accepted, large cap Australia remains very expensive and evidence keeps building that the euphoria for increasingly sketchy AI plays means it may be close to midnight for the US market boom. Irrespective of whether we are right or wrong in the substance and timing of these views, we will continue to do our best to extend our long-term track record of delivering equity-like returns, with far less volatility and no correlation to long-only equity markets.

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Next month's newsletter will likely be a little later than normal. Compliments of the season and best wishes for 2026!



Matthew Goodson, CFA