

SALT

Salt Long Short Fund Fact Sheet – September 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 September 2025

Benchmark	RBNZ Official Cash Rate +5% p.a.
Fund Assets	\$146 million
Inception Date	31 July 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 September 2025

Application	3.369
Redemption	3.3554

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 September 2025

Long positions	49
Short positions	29

Exposures at 30 September 2025

Long exposure	78.80%
Short exposure	39.31%
Gross equity exposure	118.11%
Net equity exposure	39.48%

Investment Risk to 30 September 2025

Fund volatility ¹	6.59%
NZ50G / ASX200AI volatility ¹	13.37%
NZ50G / ASX200AI correlation	0.062

1. Annualised standard deviation since fund inception.

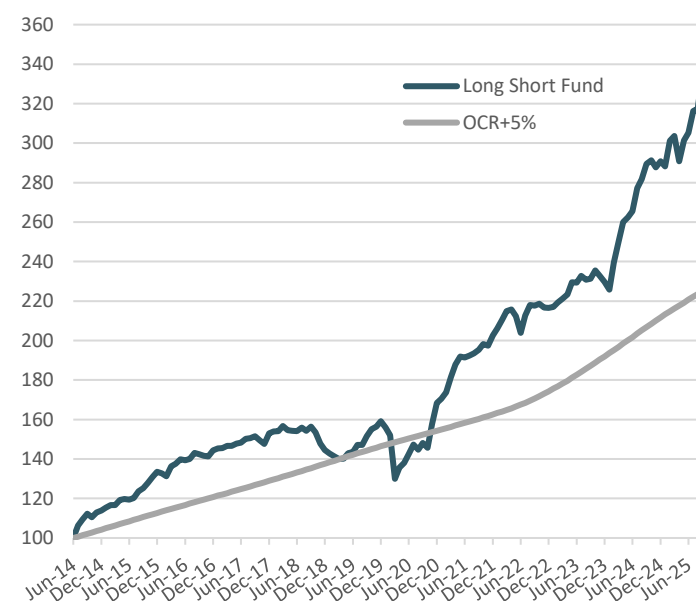
Fund Performance² to 30 September 2025

Period	Fund Return	OCR+5% Return	NZ50G/ASX 200AI Return ³
1 month	5.74%	0.67%	1.01%
3 months	9.93%	1.98%	5.11%
6 months	10.55%	4.06%	11.79%
1-year p.a.	15.94%	8.77%	9.10%
2 years p.a.	20.44%	9.61%	12.39%
3 years p.a.	15.53%	9.64%	10.64%
5 years p.a.	17.77%	8.10%	8.00%
7 years p.a.	11.52%	7.52%	7.71%
10 years p.a.	10.35%	7.36%	9.73%
Inception p.a.	11.36%	7.47%	8.96%

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 September 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.

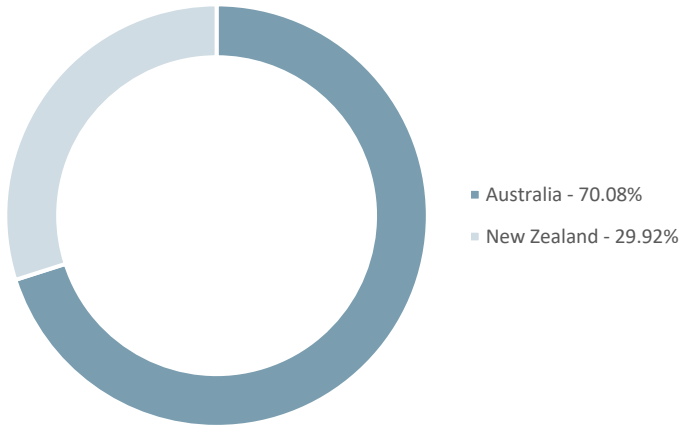
Largest Longs	Largest Shorts
Tower	Brambles
GDI Property Group	Commonwealth Bank of Australia
Turners Automotive Group	Wesfarmers
DUG Technology	Nick Scali
Servcorp	Eagers Automotive

SALT FUNDS MANAGEMENT

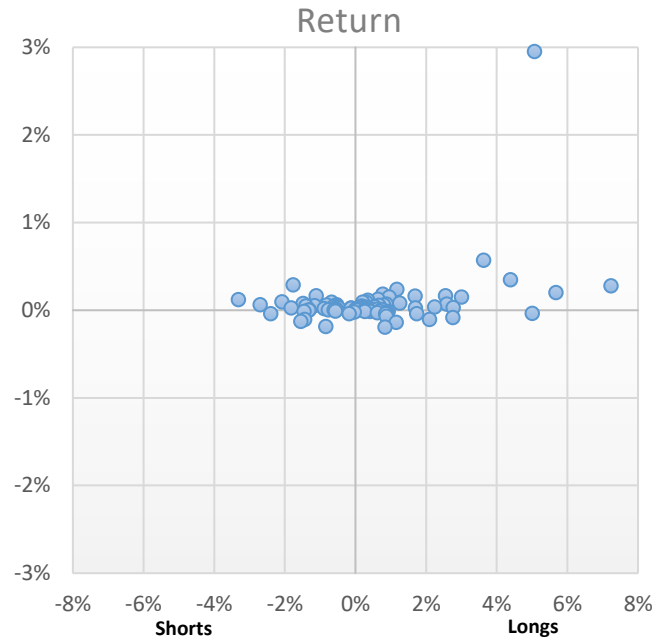
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Country Allocation at 30 September 2025 (Gross Equity Exposure)



September 2025 Individual Stock Contribution



Fund Commentary

Dear Fellow Investor,

We are pleased to report exceptionally strong performance by the Fund in the month of September, with an outcome after fees of +5.74%. This compared to an unusual -0.8% decline by the Australian equity benchmark and a solid +2.8% advance by NZ equities.

September was one of those rare but wonderful months when a number of different strands came together to work in unison. One of our largest conviction longs did extremely well, we had positive returns from both our long and short books, and we had an extremely high ratio of winners compared to losers. We will dig into all these details shortly.

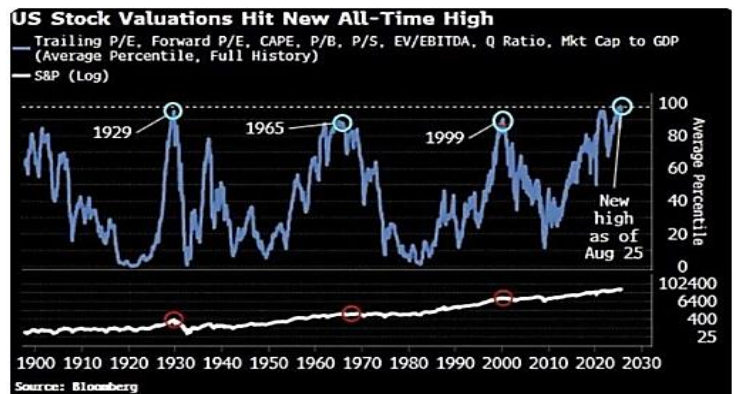
Looking back over the Fund’s history of more than 11 years, we have only had four other months where returns exceeded those from this month. It is perhaps natural to ask whether this is as good as it gets, with everything having worked well? We sincerely hope that is not the case. Our turnover in the Fund is relatively high, so we are always on the move and repositioning for what we believe will happen next and deliver positive returns on the go-forward.

Interestingly, in our past instances of super-returns, the subsequent months have been +2.85% (Aug14), +6.76% (Dec20), +1.24% (Jan21) and +4.46% (Mar24). Our takeaway is that when

a theme or several key stocks are working, they tend to keep working for some time before something inevitably changes.

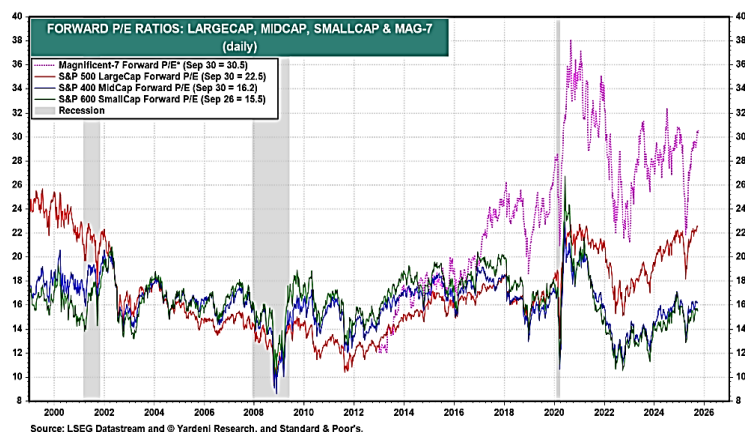
So, how do we see the wonderful world of investing right now and what do we think will happen next? There are a number of factors shaping our bottom-up stock selection.

Firstly, our shorts always tend to be larger caps than our longs because we particularly demand liquidity from the short-side. With our longs, we are sometimes prepared to be paid to take liquidity risk and be more patient. Right now, this size imbalance is greater than ever which reflects markets being nose-bleed expensive on a market-cap weighted basis but relatively normal on a simple average multiple basis.



The chart above sourced from Bloomberg combines eight commonly used valuation ratios and shows that they are now at their 100th percentile of all-time occurrences. This is worse than previous notorious peaks in 1999, 1965 and 1929. Better hope that vast current AI investment expenditures do end up driving strong forward earnings growth.

As shown in the chart below, almost all of the valuation extremity is concentrated in the very largest stocks. Forward PE multiples for mid-cap and small-cap stocks are perfectly reasonable in the 15x to 16x region. We blame a toxic intersection of passive investment flows and the shiny new thing of AI technologies. These factors have spread globally in terms of a vast gulf in valuation multiples across market cap buckets and we see a similar stark divergence in NZ/Australia.



A second key question roiling markets and our thinking is whether there is a bubble in AI infrastructure stocks? The Gartner hype-cycle runs through innovation; inflated expectations; disillusionment; enlightenment; and new productivity. We suspect we are pretty much at the end of stage 2, with small splashes of #4 and #5 starting to appear but the perils of #3 lying ahead.

A key reason for this view is the emergence of a plethora of large circular deals which seem quite divorced from the normal process of investing capital and getting a cashflow return on that. In the last few weeks, Open AI has signed a \$300bn contract with Oracle for data centres that are yet to be built, Nvidia has agreed to invest up to \$100bn in Open AI, Coreweave will supply \$6.5bn in computing power to Open AI and \$14.2bn to Meta. Open AI and Nvidia own stakes in Coreweave, while Nvidia also owns a stake in Open AI.

The circularity reminds us of the “good old days” when Global Crossing’s capacity swaps with Qwest saw each book the revenues upfront in year one and the costs were amortised over the length of each contract. Magic. One worries that data centres and particularly the chip-sets in them will have far shorter lives than implied by their depreciation rate.

One amusing side-light of these deals was how the Oracle share price surge post their Open AI deal saw Larry Ellison overtake Elon Musk as the world’s richest person. Everything you need to know about those propelling this bubble came when Musk swiftly reclaimed the mantle by buying \$1bn of Tesla stock and spruiking his robotaxi and humanoid robot “optionality”.

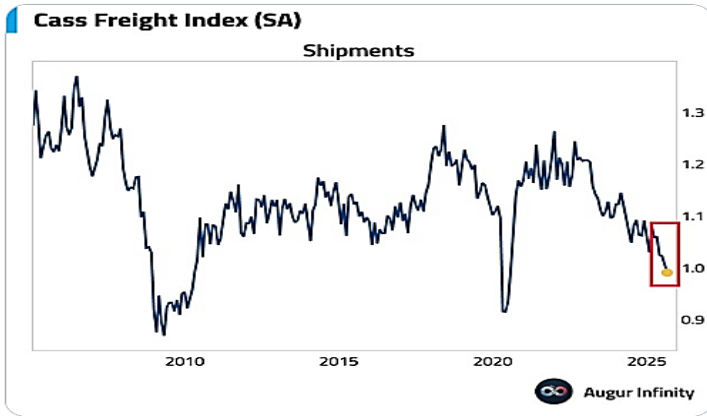
We have made some great returns out of this sector from our former triple-bagger, Global Data Centres, but right now, we have no exposure to the main plays down under, such as Infracore, NextDC, Goodman Group or Digico Infrastructure. The AI theme still has too much momentum behind it to short but that day is drawing closer as we await a catalyst.

A third factor exercising our thinking is the state of play in the US economy and the studious indifference that their markets are displaying to ever more signs of stagflation. US core PCE inflation rose +0.23% m/m (+2.9% y/y) in August, in line with expectations. However, within this, core services inflation was strong at +0.34%, while core goods inflation was an unusual -0.11%.

Expect this to accelerate in the period ahead as tariff pass-throughs come through. On top of this pent-up tariff price pressure, the chart below shows that readings for ISM Services prices have had a very strong lead on future inflation outcomes. This does not bode well and it almost beggars belief that a truly independent Fed would ease against this backdrop.



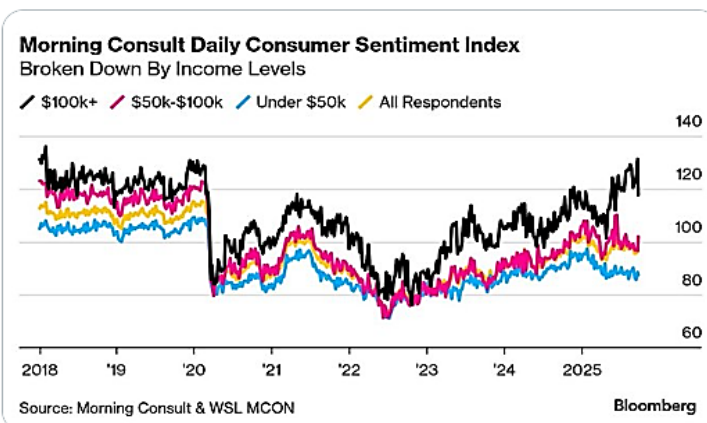
At the same time, numerous pieces of evidence point to the US economy being very weak outside of the AI boom. The ISM Manufacturing PMI was in contraction for the 33rd month out of the last 35 and the Cass Freight Index shown below is one nice way of summing up where things are at on the goods side of the economy.



So, what should the Fed do? As Governor Powell stated when the Fed cut rates by 25bp, *“Near-term risks to inflation are tilted to the upside and risks to employment to the downside — a challenging situation two-sided risks mean that there is no risk-free path.”* A slightly harsh but not unfair view of the Fed’s positioning came from Macquarie, describing it as *“Arthur Burns light”*. Investors should remember that easing in the face of building inflationary pressures led to a nasty bear market in the 1970s. This was ignored as the S&P500 rose by +3.6% and the NASDAQ 100 by +5.7% in the month.

Markets are clearly pricing a miraculous U-turn in the economic data just as the lagged pass-through from tariffs and the labour cost impact from the immigration crackdown are about to bite. These are perilous waters in which to be a US equities bull and an end to the boom would inevitably impact our markets down under.

One possible reason for the US market continuing to run is that there is an unusually large divergence in sentiment between those earning above US\$100k and everyone else. It’s happy days if you are wealthy, have a job, and are invested in the market. It’s struggle-street for everyone else. However, being at the 100th percentile on valuation metrics makes this a very dangerous trade and could even generate some downward mobility out of the \$100k+ bracket.



A fourth driver of our positioning is that while the NZ economy has been abysmal, we have an increasingly strong view that the bottom has passed. June quarter GDP growth was a dire -0.9% but appeared to have some anomalies (it had the rural sector going backwards) and it merely offset an overly high +0.9% in the first quarter. The lagged impact of rate cuts, a terms-of-trade boom and some likely election year pump-priming in 2026 should all be very helpful.

Live-time indicators are not exactly buoyant but they do point to a climb out of the abyss. The monthly ANZ Business Outlook survey for September saw firms’ own activity expectations rise from 38.7 to 43.4 and profit expectations lifted a touch from 15.2 to 20.2. Massey University’s GDP Live metric has September quarter growth running at +0.75% q/q. Freightways (FRW) is a classic NZ cyclical and their CEO commented during the month that, *“If you are asking for a gut feeling, I think we are through the worst of it. It’s been a slow and steady grind upwards.”*

At the same time, markets are now pricing three further RBNZ rate cuts by May26 – rate cuts into a recovering economy are nirvana for equities. Equity markets tend to be forward-looking and the S&P/NZX50 rose +5.5% in the September quarter, but tellingly, this was sharply outperformed by the more domestically focused S&P/NZX Mid-Caps performance of +10.8%. At month-end, our NZ positions amounted to 33.0% long and just 1.7% short, making our view rather clear.

Finally here, in contrast to NZ, the “lucky country” Australia looks to be in a slightly different economic phase although they never had to endure our recession in the first place. Their August inflation outcome surprised with a sharp pick-up in broad-based inflation pressures and it is running at +3.0% y/y. Analysts estimate that the trimmed mean for the September quarter will likely come in at +0.9% versus the RBA’s earlier estimate of +0.63%. Any further rate cuts this year now look rather unlikely, in marked contrast to NZ. The one mistake we perhaps made in the Fund was running our standard fully hedged currency position in Australia, with the NZDAUD moving from 90.14 to 87.61 over the month. However, projecting currencies is notoriously difficult, so we will leave that to macro funds.

Fund Performance in September

Returning to the Fund’s performance in the month of September, our overall return of circa +6.5% pre fees was made up of a +5.7% contribution from our long book and a +0.8% tailwind from our shorts. This reflects both individual stock selection working well and our shorts being concentrated in the weaker Australian market.

Our overall “winners to losers” ratio was an extremely strong 74% - the best outcome that we can recall. Within this, 73% of our longs went up and 74% of our shorts worked. On top of this,

there was a large skew to our winners being much larger than our small number of losers.

Our gross position (longs + shorts) was unchanged at 118% over the month although there was a good degree of change in some of the holdings underneath the hood. This remains at the low end of where we tend to run the Fund but we continue to feel as though there is quite enough exposure to the volatile market moves without adding more simply for the sake of it. We have slightly trimmed the size of some of our highest conviction positions as they have worked.

Our net position (longs – shorts) rose from 36.5% to 39.5%. As detailed earlier, we remain heavily net long NZ, we are net short sharply over-priced large-cap Australian stocks and we are reasonably net long smaller to mid-cap Australian names. As is the case globally, small to mid-cap stocks are priced fairly in absolute terms and are very cheap relative to large caps. The malign influence of passive investing is clearly at play but wait until there is a negative shock and the tide recedes – there will not be enough money to take the other side in the shrinking active investor base.

It was an unusually divergent month for the NZ and Australian markets, with the former rising +2.8% while the latter declined -0.8%. There were ten negative days for the 50/50 index of Australia/NZ, with the average decline on those days being -0.36%. By contrast, the Fund was up on eight of those ten days and had an average return on them of +0.30%. It was one of those glorious months where we up on both the positive and negative days for the market. Our lack of correlation to the market does not always play out like this but it certainly has on average over time.

By far the strongest positive came from our long-standing and much-discussed position in DUG Technology (DUG, +68.5%). We have long held the view that DUG has a sizeable technical lead in cutting-edge geophysics analysis, primarily for the oil industry. DUG's share price has been very volatile, grossly over-reacting to the news and absence of news on contracts. We were patient, as it takes time to land contracts with the E&P super-majors around the world.

DUG received huge validation in early September with the award of a large contract from Petronas and this was upgraded in size from US\$23.4m minimum to \$43.3m minimum just two weeks later. While we have taken a little profit to keep the position size under control, we fully expect further catalysts to play out from more contract wins and potentially sales of their nascent data centre cooling and data centre edge products.

A second stand-out was our good-sized long in Heartland Group (HGH, +16.7%). In years gone by, this used to be one of our favourite shorts due to their poor business lending practices.

They have a higher funding cost than the major banks, so in a classic case of adverse selection, their credit profile tended to be weaker. This was hidden when times were good, but they were caught swimming naked when the tide receded. A major strategic re-focus has now seen them concentrate on new car lending, which is a mediocre business; livestock finance, which is a good albeit somewhat volatile business; and reverse mortgages, which is one of the best opportunities we have seen a company have for quite some time. They are the number one player in Australia and NZ, the returns are outstanding, and the market is in the early stages of many years of strong growth. Risks of HGH's former sins repeating with more legacy debt write-offs are continuing to recede.

A third stand-out was our large holding in Servcorp (SRV, +6.9%) which continued to grind higher following their strong result in August and ongoing insider buying. Serviced office demand appears to be in a sweet spot in the new world of work-from-home and SRV has very attractive long-term occupancy contracts in tight markets like Japan. SRV is still only on a forward PE of 10.2x for Jun26, with around 20% of their market cap being net cash. The closest compco is International Workplace Group (ex Regus) which is listed in London and trades on a forward PE of 32x Dec25 and 20x Dec26.

Our large Tower (TWR, +3.6%) position was yet again a positive contributor. We have gently been reducing the sheer size of our position given its run but still have high conviction re the business and the outlook. They have again made it through their September year-end with a low amount of large event claims and this positions them to pay a massive final + special dividend which could be in the order of 16cps. TWR won't be so lucky every year but there remains a fundamental valuation disconnect where analysts both use a high cost of capital and a full swathe of large event claims every year – history suggests this simply will not be the case.

Near month-end, TWR signed an important partnership with Westpac which will allow them to underwrite insurance to all the bank's customers from July 2026. The current provider is IAG. This is a key reason that TWR has stuck to 10-15% GWP growth guidance despite the insurance cycle having clearly peaked. Analyst forecasts are well below this. Further, TWR renewed their reinsurance on very favourable terms which will protect their margins in the cycle that lies ahead.

Other winners of note included our good-sized short in Lovisa (LOV, -13.3%) where we had been bemused by the positive reaction to their mixed result back in August. Our modest Emeco (EHL, +19.2%) long has been a strong performer and rose further on a flurry of takeover speculation. Our large Turners (TRA, +3.5%) holding ground a little higher and our small speculative Australian Vintage (AVG, +26.1%) position continued to rise.

Headwinds were few and far between, with the only one of any great note being our modest short in Lynas (LYC, +21.2%) which continued to soar on speculative rare earths fervour. We now see it as being materially overpriced and the impact was almost entirely offset by our long in the rare earths developer, Lincian Resources (LIN, +17.8% from entry-price) which has a compellingly attractive project.

Other detractors were all very modest, with our moderately sized valuation-based longs in IPH Limited (IPH, -21.9%) and WEB Travel (WEB, -10.6%) coming under pressure. We are suckers for a company with a decent business franchise and a low to mid-teens free cashflow yield and these names both fit the bill. We had earlier sold out of IPH several months ago but have gradually re-entered on sharp recent weakness.

Thank you for your continued support and interest in the Fund. September was an outstanding month where everything came together. That will obviously not happen every month but we never stand still and are always trying to position for new ideas and what we think will happen next. We have no reason to doubt that the Fund won't continue to perform as it has historically, just don't expect it to do well each and every month.

Equity markets have generally continued to boom but almost all the strength has been concentrated in the very largest cap stocks and we would be extremely cautious in expecting that to continue. We are particularly concerned by the stagflationary risks in the US economy and the spillovers for other markets as that plays out. By contrast, we continue to be bullish that the NZ economy has bottomed and the forward-looking equity market is already moving on that. The Australian outlook is a little cloudier given less room to cut rates but we are still finding plenty of opportunities on both sides of the ledger. Whichever way markets zig or zag, 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.



Matthew Goodson, CFA