

SALT

Salt Long Short Fund Fact Sheet – December 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 31 December 2025

Benchmark	RBNZ Official Cash Rate +5% p.a.
Fund Assets	\$171 million
Inception Date	31 July 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 31 December 2025

Application	3.5319
Redemption	3.5177

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 31 December 2025

Long positions	52
Short positions	34

Exposures at 31 December 2025

Long exposure	85.86%
Short exposure	36.16%
Gross equity exposure	122.02%
Net equity exposure	49.71%

Investment Risk to 31 December 2025

Fund volatility ¹	6.55%
NZ50G / ASX200AI volatility ¹	13.32%
NZ50G / ASX200AI correlation	0.063

1. Annualised standard deviation since fund inception.

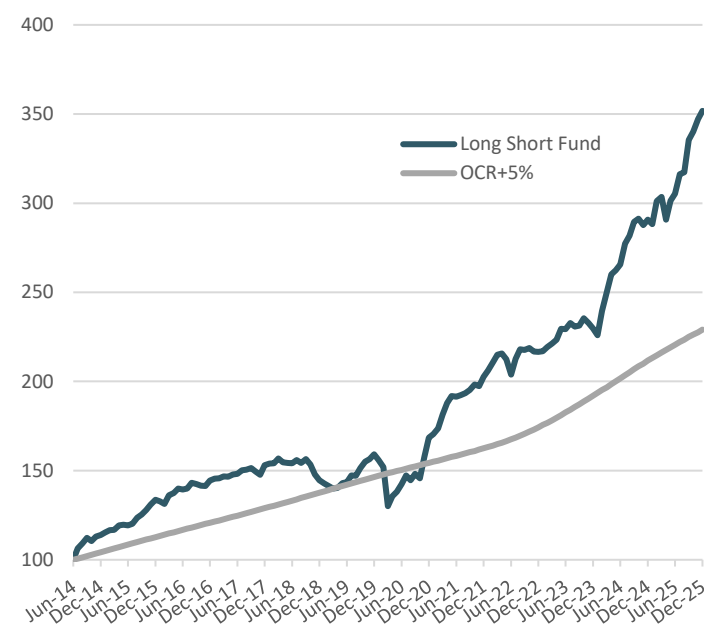
Fund Performance² to 31 December 2025

Period	Fund Return	OCR+5% Return	NZ50G/ASX 200AI Return ³
1 month	1.31%	0.63%	0.87%
3 months	4.84%	1.82%	0.47%
6 months	15.25%	3.84%	5.61%
1-year p.a.	20.99%	8.22%	7.16%
2 years p.a.	23.74%	9.25%	9.27%
3 years p.a.	17.55%	9.53%	8.49%
5 years p.a.	15.87%	8.21%	5.22%
7 years p.a.	13.54%	7.54%	8.91%
10 years p.a.	10.17%	7.35%	8.76%
Inception p.a.	11.56%	7.47%	8.81%

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 31 December 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

IPH

DUG Technology

Turners Automotive Group

Servcorp

Largest Shorts

Brambles

Commonwealth Bank of Australia

Charter Hall Group

Monadelphous Group

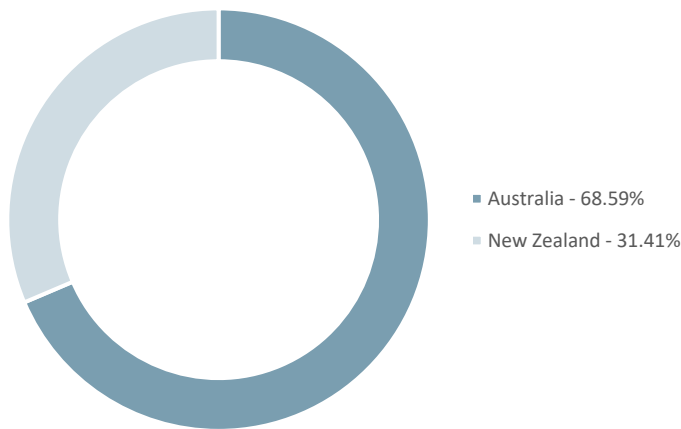
GPT Group

SALT FUNDS MANAGEMENT

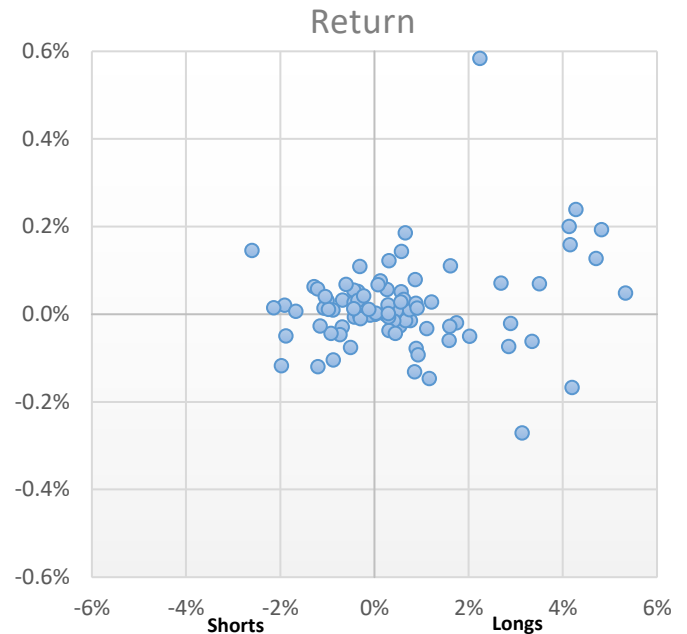
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Country Allocation at 31 December 2025 (Gross Equity Exposure)



December 2025 Individual Stock Contribution



Fund Commentary

Dear Fellow Investor,

We are pleased to report another solid month of returns by the Fund in December, with a performance after fees of +1.31%. This compared to a modest +0.4% advance by the NZ equity benchmark and a 1.3% rebound by the recently weak Australian equity market. December is always a light month for fundamental news and this year was no exception.

December was our eighth consecutive month of positive returns, and as we emphasised last month, it is highly improbable that this will continue without an occasional negative pullback. However, our 11-year plus track record suggests that such pullbacks are temporary when they do inevitably happen. As always, we continue to gradually change our holdings to both take advantage of short-term opportunities and to position for what we believe lies ahead.

As a reminder, the aim of the Fund is to deliver equity-like returns but to do so with no correlation to equity markets and with far less volatility than them. To date, we have delivered on all three counts. We think this makes the Fund an extremely useful holding within a diversified portfolio.

Returns in the last 3-4 years have been in the high-teens versus our longer-term track record in the low-teens. The more recent outcomes are likely at the top end of what might

be expected given our relatively modest risk levels. They reflect a combination of strong stock selection and a gradual learning process in how best to position the Fund. We will obviously be trying our level best to keep the run continuing.

Importantly, we haven't delivered the performance by simply gearing up the Fund and riding rising markets. Our returns have been independent of the direction of markets (i.e., uncorrelated) and our gross positioning through most of this strong performance period has been towards the lower end of our typical risk levels.

The hardest thing in investing is to accept new events for what they are rather than try to interpret them to fit with existing portfolio positioning. We cannot put our hand on heart and plead entirely not guilty to this behaviour, but we try our best. So, what does our crystal ball foresee for the evolution of events in 2026?

1. NZ economic growth will be solid and inflation will remain in check.

NZ is experiencing a terms-of-trade boom, the lagged economic boost from sizeable rate cuts, an easing of RBNZ bank capital rules and a possible easing of the fiscal stance in election year. We were bullish on NZ cyclical stocks all 2025 and this paid off handsomely as multiples expanded in expectation of stronger growth. We project evidence of this growth to mount in 2026, driving a very rare year of earnings upgrades. We retain sizeable exposure to this theme via the likes of Heartland, NZME, Fletcher Building (modest) and Turners et al.

The chart below shows the monthly ANZ Business Outlook survey. Firms' own activity outlook rose from +53.1 to +60.9 in December, its strongest reading in 30 years. Lagging actual activity is finally beginning to move.

Figure 1. ANZBO business confidence, own activity and past activity



Green shoots are starting to sprout. September quarter GDP growth came in at +1.1% q/q, with 14/16 industries expanding. Westpac and ANZ Bank credit card data for November both showed solid lifts in spending, new car sales are highly cyclical and rose +11% y/y in November and Westpac NZ Consumer Confidence rose from 90.9 to 96.5 in the December quarter. Still not great but it looks poised to break through 100 in 2026. The NZ yield curve is as positively sloped as I can remember in more than 30 years of investing in this market.

Despite this evidence of stronger growth, we think the market is being too hawkish on the RBNZ rate outlook and that the OCR could remain at 2.25% throughout 2026. In a huge irony given our views in recent years, we see “goldilocks” ahead! One-year swap rates ended December at 2.61% and two-years at 2.93%, implying several rate hikes ahead. They were actually 15-20bp above this until some well-timed open-mouth operations by the new Governor, Anna Breman.

A key reason for our unusually optimistic view for NZ lies in where we have come from. The sombre backdrop of years of sub-par growth means there is a reasonable buffer of excess capacity before generalised inflationary pressures will emerge. The pressures that are still there have largely peaked: insurance inflation is over, with motor pricing in outright decline; rental inflation is negative y/y according to Trademe data; food price inflation has been strong but the important dairy category is now deflating; and local authority rates remain an issue but will at least inflate at a lesser rate going forward and councils are coming under increasing pressure to pull their heads in.

Finally, there is the issue of timing. The RBNZ is highly unlikely to want to inject itself into the political debate of the general election near year's end, so it would take something compelling for them to hike from Q3 onwards. Prior to that, we simply don't think there will be enough evidence of capacity being soaked up and inflation risks rising.

If this view on inflation and interest rates is correct, then NZ listed property stocks could do well, having spent the December quarter correcting a little from their second and third quarter surges. Gross yields are around 6.5%, (way above term deposit rates), we could easily see 5% NTA growth and price/NTA relativities could easily tighten by 5%+. A mid-teen return is perfectly acceptable and we have used the sharp recent pullbacks in Vital Healthcare Property (VHP) and Precinct Property (PCT) to build good-sized holdings in their post equity-raising heaviness.

Some investors are getting excited by the retirement village sector but we are more ambivalent. In theory, our macro-view should be positive for house prices and volumes, and it will likely help to some degree. However, NZ house prices have merely moved from being mind-bendingly expensive to unaffordable. Moreover, we remain wary of the absence of free cashflow from the retirement village business model. We are standing aside from this sector.

2. The Australian economy & equity market may underperform NZ

The Fund is heavily long NZ and only slightly net long Australia, being net short expensive large caps and moderately net long cheaper small to mid-caps. We have to go back to the turbulent Dec20 year to find a year when NZ (+13.9%) last outperformed Australia (+1.4%). 2026 looks poised to see a repeat.

Just as NZ is emerging from recession, the Australian economy is slowing and has never had the “recession they had to have” (to coin Paul Keating). It is running at full capacity and exhibiting widespread inflation pressures which will likely cause the RBA to reverse course and hike. The main debate is whether that occurs in February or May. This is occurring against a backdrop where large cap Australian equities are well into the 90th percentiles of all-time valuation multiples.

Australia’s current situation was perhaps best summarised by the RBA’s “hawkish hold” mid-month which kept their cash rate target at 3.6%. They saw private demand strengthening, the labour market a little too tight and inflation risks tilting to the upside, with their focus seemingly on the upside risks to inflation rather than the downside risks to growth. As this is written, the market is pricing a 40% chance of a hike by February and 90% by May.

The depth of the Australian market means there are always lots of interesting investment opportunities but the diverging economic backdrops leave us happy with our strong relative weighting to NZ.

3. The US economic and market backdrop is opaque

It is difficult to predict the next month in the US, let alone the next year. The record shutdown means that the latest economic data on inflation and GDP growth aren’t worth the paper they are written on and Fed Governors dissented on both sides of the 25bp rate cut mid-month.

One thing that is clear is the K-shaped economy. Those at the top are doing nicely thanks to generally booming asset markets and tax cuts. Those at the bottom are struggling due to cost-of-living pressures and a moderate rise in unemployment. This will intensify with student loan repayment holidays ending from Jan 1.

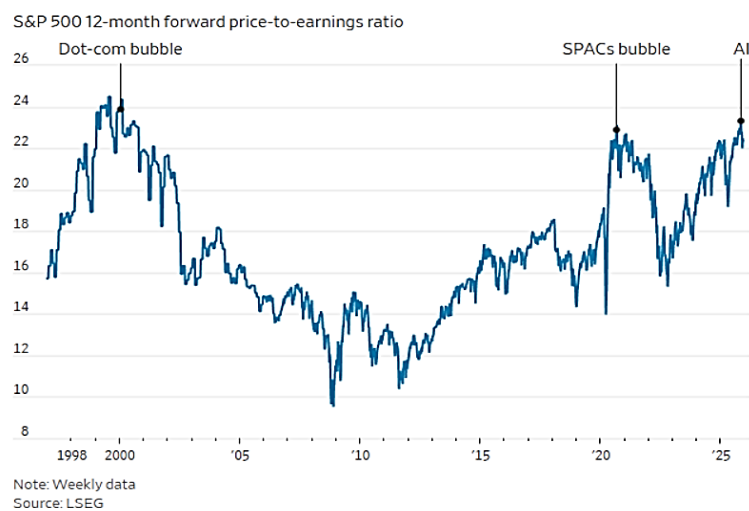
At the same time, the top half of the K could carry on. Many provisions of the OBBBA start from 1 Jan, with tax cuts, deregulation and a 100% immediate deduction on capex taking effect. Add a pliant new Fed Chair, who may cut interest rates, and we could see a “run it hot” scenario as the Republicans try to wriggle out of a political hole ahead of the mid-term elections in November.

However, this carries some obvious and significant risks to long term bond yields, with the 4.8% US 30-year bond yield already exhibiting considerable concern. This is bad news for housing (most mortgages are 30-year fixed) and carries major risk for equity market valuations.

There is perhaps a risk that the new Fed engages in “yield curve control” to try to lower these high long-term yields. However, we have already seen how that game ends with the surge in inflation post-Covid. The loss in central bank inflation-fighting credibility creates a loop that is very difficult to break as firms and workers demand higher prices to make up for their own higher costs.

4. US valuations are very expensive & vulnerable to any shock

The chart below speaks for itself re the nose-bleed folly of current US valuations.

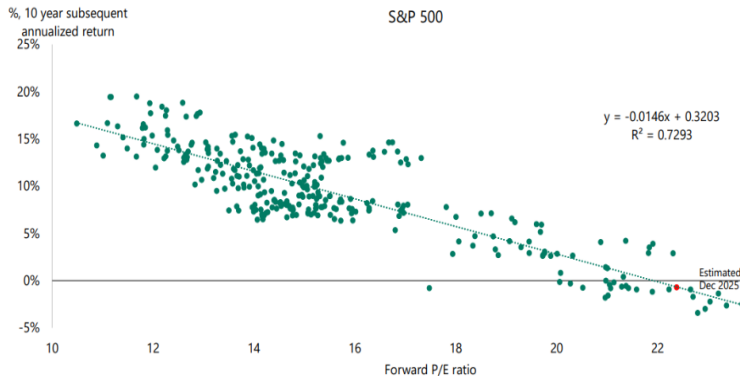


However, within this exceedingly expensive overall PE ratio, a number of sectors are actually trading at perfectly reasonable or perhaps even slightly cheap valuations. Globally, the valuation and performance of “defensives” is at a similar relative level to where it was in early 2000. Hmm... thank goodness AI is such an absolute laydown and is generating vast revenues which easily justify the remarkable capex that is being expended upon it. Or perhaps not. Others are far more expert in all the ins and outs of this sector than us but one useful canary in the coal-mine may be the largest neo-cloud company, Coreweave (CRWV). It ran from \$40 in April to \$180 in June, to \$87 in September, to \$140 in October, back to \$70 today. This is a \$28bn company at current prices yet trades like a penny meme-stock. This hardly lends confidence in the AI investment thesis.

One key final caveat regarding valuations is that they tell you an awful lot about long term equity returns but very little about the shorter term. It may be that nose-bleed valuation multiples don’t impact returns in 2026 but we can say with a high degree of confidence that 10-year returns will be derisory if you just buy the S&P500 at current levels. The chart below makes this crystal clear, with 10-year forward returns

likely to be in the -1%/annum region based on the long-term relationship. Maybe this doesn't become apparent in 2026 but investors are playing with fire at these multiples.

S&P 500 forward P/E ratio vs subsequent 10-year annualized returns



5. Sentiment remains very bullish

The chart below shows Wall St strategists' expectations for 2026.



These projections are about as useful as medieval doctors diagnosing an imbalance of the humours, although to be fair, the S&P500 does rise 70% of the time. With inflation being at 3%, it needs to do that much for investors to simply break-even pre-tax. The more interesting point is the absence of any naysayers. Wider samples that include many smaller forecasters also suggest the only way is up.

This is at a time when long-term bonds yields are relatively high, the US economy is struggling overall, valuations are near all-time records, retail investors have record high equity exposure and institutions have record high equity allocations. 2026 may be interesting.

6. Monetary policy is diverging sharply around the world

Recent weeks have seen cuts by the BOE, Fed and RBNZ, a hold by the BOE, a hawkish hold by the RBA and a hike by the BoJ. Monetary policy cycles are all over the show. This could lead to significant divergences in financial market performances and sizeable moves in exchange rates, crypto prices and gold.

The most interesting aspect is the long-awaited normalisation in Japanese monetary policy and what happens with the demise of the "Japan carry trade". For the last several decades, the easiest game in town has been to borrow at a near-zero rate in Japan and invest unhedged overseas at a positive interest rate and bank the difference – often multiplied by considerable leverage.

Weaker demand for offshore bonds and high-yielding securities would seem obvious and this may already be well underway. Some have suggested that the recent weakness in crypto is associated with this but gold has remained extremely strong, so there are clearly many factors at play.

One clear view is that the AUDUSD should strengthen given their starkly divergent policy cycles, with this having plenty of stock-specific implications. The NZDUSD may also perhaps be near its lows.

7. Summarising Our Views For 2026

Put all this together and we are wary of the outlook for global equities in 2026. Valuations and sentiment are worryingly extended and the economic outlook is opaque. Political risks abound but are impossible to forecast. Australian equities are expensive and the RBA is set to hike – it is difficult to see a strong year there unless the commodities boom of recent days lasts all year.

By contrast, it could be the turn of the benighted NZ equity market to finally have its time in the sun. A stronger economy should drive earnings upgrades, valuations are reasonable and the RBNZ may be able to stay on hold in contrast to current market expectations. The only caveat is that our equity market is not a great representation of our economy, with several of the largest stocks having little relationship with it.

Fund Performance in December

Returning to the Fund's performance in the month of December, our overall return of circa +1.5% pre-fees again saw the rare occurrence of value added from both sides of the ledger. Our long book contributed circa +1.3%, while our short book just got its nose in front at the post with a return of +0.2%. Our overall "winners to losers" ratio was a very strong 63% and there was a skew to larger winners than losers.

Our gross position (longs + shorts) fell fractionally from 123% to 122% over the month, which remains towards the lower end of the level of risk that we typically run. We view risk very differently to many managers, tending to use volatility as an opportunity to lift exposure rather than be forced to cut positions by the margin clerk masquerading as the risk manager.

Our net position (longs – shorts) continued to rise slightly, this time drifting up from 48.8% to 49.5%. This may look as though our net length is simply seeing us get a positive ride from rising markets. However, this is not the case. Our style means our shorts are far more volatile than our longs and the evidence below points to us still being very much market-neutral, with our returns having no correlation to what the market is doing.

In terms of market volatility, December saw an extremely high number of thirteen negative days for the 50/50 index of Australia/NZ, although the average decline on those days was only a modest -0.22%. Despite our superficially high net length, the Fund was up on six of those thirteen days and had an average return on all of them of +0.05%. There continues to be no correlation between the performance of the Fund and the movement of Australia/NZ equity markets.

The largest winner in the month was our frequently mentioned mid-sized holding in Intelligent Monitoring Group (IMB, +23.7%). They made a major accretive purchase of the NZ businesses, Wormald and Red Wolf, which have a major security provision presence in this market. This was largely financed with a discounted placement, which the IMB share price quickly moved beyond. Our major error was merely bidding for our pro rata holding, as we underestimated the positivity with which investors would greet the acquisition.

A second tailwind came from the relatively large position we have built in Heartland Group (HGH, +5.4%). The improving NZ economy is clearly good news for both HGH's legacy lending businesses and their strong growth business of reverse mortgages. We remain hugely attracted to the

valuation growth potential from reinvesting free cashflows at a 15-20%+ return for many years in an industry which has huge tailwinds. New RBNZ capital rules announced during the month will be helpful to their legacy lending books, and we await an easing of capital rules for reverse mortgages in 2026.

Other tailwinds were a little smaller and came from random share price fluctuations in a quiet month rather than major new news. DUG Technology (DUG, +4.3%) rebounded a little from recent modest weakness, following its surge in September on the Petronas contract win. It is one of those names that tends to go quiet between major announcements, and one has to keep the faith that they really do have industry-leading capability.

Tower (TWR, +4.1%) continued to be the gift that keeps on giving and may also do well this month when it goes ex a massive 16.5cps final dividend. A small position in Bellevue Gold (BGL, +28.7%) rose on both the gold price and growing confidence that they are getting their operations under control.

Headwinds were smaller and largely random. Our relatively large position in the litigation fund management business, Omni Bridgeway (OBL, -7.3%) fell on no news. We view it as very cheap on the basis of their current managed funds and the look-through shares from these to currently funded litigation cases. This apportions no value to the all the funds that they raise and cases that they will fund in the future.

A second headwind was a minor pullback in the hitherto uninterrupted ascent of Servcorp (SRV, -3.7%). Nothing has changed in terms of it being cheap and the serviced office business being in a strong structural position in the world of part-time working from the office.

Our modest holding in Emeco Holdings (EHL, -10.5%) fell in what appeared to be a mistaken reaction to the MD selling some shares when, in fact, he had merely rearranged how they were held across different entities. Our small holding in Monash IVF (MVF, -13.5%) fell hard near month-end when their private equity suitor pulled its interest. However, they retain a 19.6% interest in the business and press speculation has previously pointed to other potential interest. We shall see. MVF appears a little cheap on current multiples, but we would hope that much better days lie ahead, so would be reluctant to sell near current prices in any case.

Thank you for your continued support and interest in the Fund. We have been in a real sweet spot of strong performance, which we hope will continue, but which obviously can't be expected every single month. That said, we remain confident in our process and would again highlight that return contributions have broadened for a few months now beyond key past winners such as Tower and Turners. Hopefully, we have already identified the next ones, but that is something that only time will reveal.

2026 starts with us being unusually bullish on NZ equities but somewhere between cautious and bearish on various other markets. Our views and our positioning will no doubt evolve as events unfold. However these play out, 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 market.



Matthew Goodson, CFA