

SALT

Salt Long Short Fund Fact Sheet – September 2026

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 2026

Benchmark	RBNZ Official Cash Rate +5% p.a.
Fund Assets	\$205 million
Inception Date	30 June 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 September 2026

Application	3.5681
Redemption	3.5538

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 2026

Long positions	53
Short positions	34

Exposures at 30 September 2026

Long exposure	84.34%
Short exposure	37.80%
Gross equity exposure	122.14%
Net equity exposure	46.53%

Investment Risk to 30 September 2026

Fund volatility ¹	6.52%
NZ50G / ASX200AI volatility ¹	13.25%
NZ50G / ASX200AI correlation	0.081

1. Annualised standard deviation since fund inception.

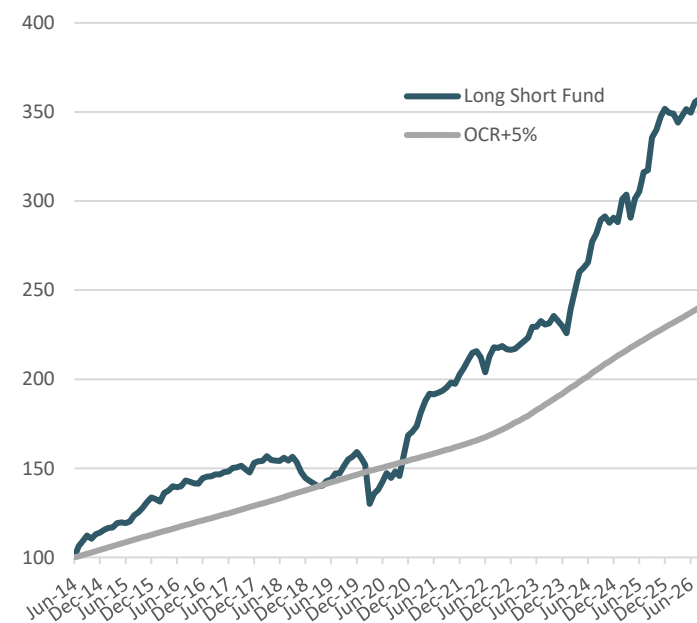
Fund Performance² to 30 September 2026

Period	Fund Return	OCR+5% Return	NZ50G/ASX 200AI Return ³
1 month	-0.48%	0.61%	-1.51%
3 months	1.66%	1.85%	1.46%
6 months	3.32%	3.64%	6.31%
1-year p.a.	5.91%	7.35%	3.33%
2 years p.a.	10.81%	8.06%	6.17%
3 years p.a.	15.39%	8.86%	9.28%
5 years p.a.	12.73%	8.53%	4.18%
7 years p.a.	12.95%	7.63%	6.20%
10 years p.a.	9.57%	7.35%	7.91%
Inception p.a.	10.91%	7.46%	8.49%

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 2026



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

Omni Bridgeway

Servcorp

Turners Automotive Group

Tower

Largest Shorts

Reece

Brambles

Auckland International Airport

Macquarie Group

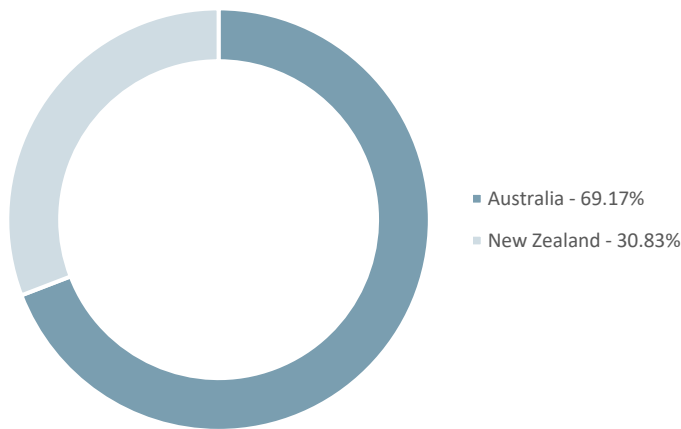
Data#3

SALT FUNDS MANAGEMENT

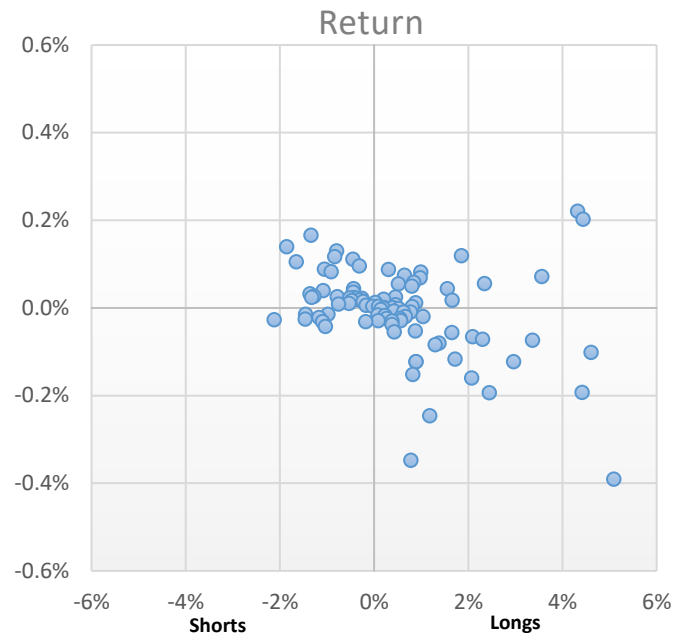
Level 37, PwC Tower, 15 Customs Street West | PO Box 2673, Auckland 1140

Email: info@saltfunds.co.nz | www.saltfunds.co.nz

Country Allocation at 30 September 2026 (Gross Equity Exposure)



September 2026 Individual Stock Contribution



Fund Commentary

Dear Fellow Investor,

After being up for much of the month, a volatile last few days saw the Fund finish with a slightly disappointing return of -0.48%. This compared to a -2.4% fall by the Australian equity market and a -0.6% decline in NZ. The month was characterised by outsized volumes and price impacts from index changes, a continuation of pressure from the Iran debacle, economic news that can only be viewed as mediocre, bond yields that continued a seemingly inexorable increase, and gathering signs that the data centre boom may be entering its late middle age. Many of our holdings fell for no obvious reason, so we were almost pleased to escape with only modest overall damage and believe we are well-placed from here.

A key theme for the month was the sharp continuing rise in bond yields. NZ 10-years rose from 4.75% to 5.06%; Australia lifted from 5.07% to 5.34% and US 30-years increased from 5.27% to 5.56%. Remember that most mortgages in the US are 30 years, so good luck with housing demand. Reece (REH, +0.8%) has become our largest short, but for now, investors are doing their emu head-in-the-sand trick. Amongst other rate-sensitive names, some of the NZ gentailers have also held up relatively well. Outside the occasional strange impact like

these, the general sectoral drivers are working as one might think, with utility and property stocks hard hit globally.

A fascinating aspect of the rise in yields is that long-term inflation expectations have remained relatively well controlled despite the mis-steps by central banks in recent times. The US 30-year yield of c.5.6% is comprised of a real yield of 3.3% and implied long-term inflation of 2.3%. The CNBC-sourced chart below shows that US 30-year TIPS yields are now at their highest point since late 2001.

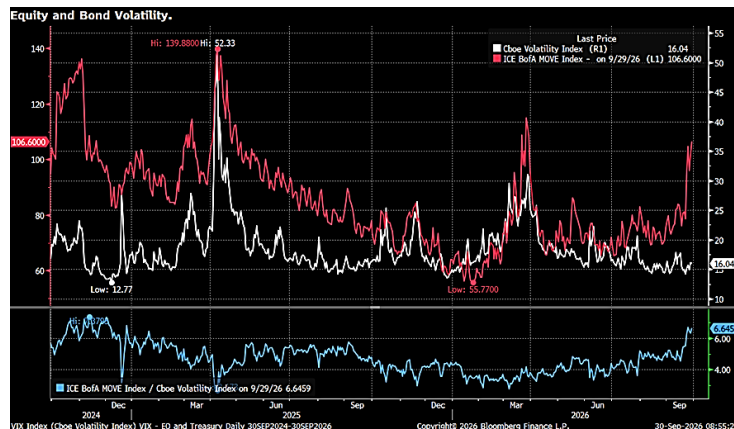


There are a host of reasons why investors are demanding such a high real yield:

- Post-Covid yields shouldn't have plunged to such historical lows in the first place;
- The US deficit is at unsustainable levels, and there is no desire to do anything about it;
- The Iran debacle raises the risk of all US securities.
- The Japanese carry trade has been the biggest source of US bond buying, and that is now reversing as that economy reflate;
- Competing multi-trillion-dollar demand from hyperscalers for debt to fund their buildouts and finance their losses.
- Rumours that a massively levered "basis trade" (which arbitrages physicals vs futures) blew up.

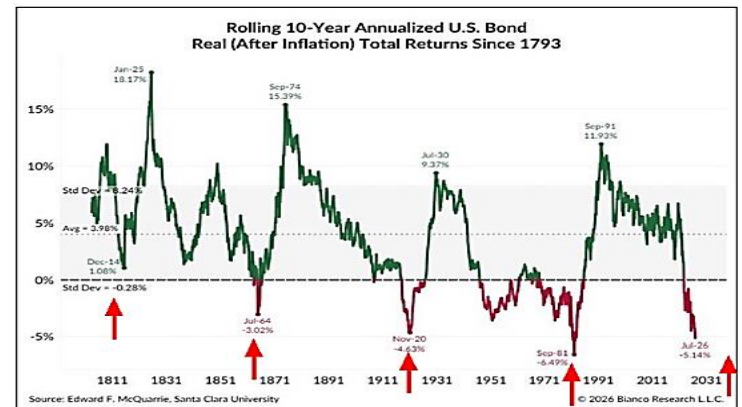
In general, equities are a great hedge against moderate levels of inflation because of the boost to nominal earnings. However, they are a lousy hedge against higher real rates, which constitute both a higher discount rate that must be applied to future earnings and an opportunity cost relative to equities.

To date, equity market volatility (VIX) has remained well under control in the 15-16 region and has been blissfully unaware of soaring bond volatility (MOVE) as shown in the chart below from Evans & Partners. This will be resolved by bonds settling down or equities joining in the panic.



We have no strong view as to when or where the rise in real rates will peak. Maybe it will be tomorrow if a durable Iran agreement is reached. Maybe it will be years away. Looking back, it does seem that we come out of an unusual era of ultra-low rates between -0.5% to +2.0% in the years post-GFC and post-Covid. Perhaps a 2%-4% range will be the new normal, within which unpredictable government actions determine where we trade.

Before we succumb entirely to gloom, a lot has been priced in already. The chart below shows that rolling real 10-year annual US bond returns are now worse than at the peak of the US Civil War! We suspect that if we are getting close to the peak in real yields and they start to turn, then the dismal underperformance by "normal" equities relative to the mega-cap AI story stocks may also reverse.



There can be little doubt that we are in the throes of an AI boom/bubble of epic proportions. The table below is sourced from famed economist Paul Krugman and looks at the size of the current and planned AI buildout relative to other historical capex booms. These past booms all ended poorly for investors.

Table 1. Selected U.S. Capital-Expenditure Booms

Episode	Period	Size (% of GDP)
Canals	1836–1841	0.66
Railroads	1870–1890	2.24
Electrification	1905–1925	0.50
Highways	1956–1973	1.13
Telecom and fiber	1996–2003	1.10
AI buildout	2025–2032	3.63

Notes: Size is average annual capital expenditure as a percentage of GDP over the indicated period. Appendix C provides sources and further details.

A Brookings Institute paper calculated that for this current and planned AI investment to generate a 10% IRR, the industry will need to generate \$3.7trn/year of revenue versus the current \$200bn. That is well above 10% of US GDP, so would seem to be a stretch, to put it mildly.

September was notable for the "wolf that cried wolf" warning by Anthropic and OpenAI that the sector needs to be regulated or it will destroy humanity. This may just be a thinly veiled plea to put up barriers against massively cheaper open-source models, which make a path to profitability highly questionable for these supposedly multi-trillion-dollar companies.

Jefferies also pointed to a Stanford University study that compared the performance of small language models run on

PCs with large language models hosted in data centres. It found the SLM's are catching up fast in performance terms and are vastly cheaper in terms of energy and compute costs. It is also interesting that Google's new Gemini-4 Argon model makes significantly more efficient use of memory in data centres. These factors sound analogous to the move from mainframes to PCs in the 1990s and raise the spectre of overinvestment in stranded data centre assets. If this plays out, the quality of the counterparty will matter far more than the length of the contract. Valuation upside that is driven by projected future investments may never actually transpire. We are taking a pass on "opportunities" such as the Firmus IPO.

There are major economic implications if the data centre build-out starts to fade. Firstly, the huge debt demand from the sector will dissipate, and the crowding out of government debt will not be such a factor. Secondly, UBS estimates that more than 100% of all US economic growth over the last year has been from AI investment categories. On top of this has been a wealth effect on personal consumption from booming share prices. If the brakes are suddenly applied, then we could have a very different outlook for the Fed, and the current bond sell-off may prove to be a high in yields. Crystal-ball gazing is always hard, but the conventional wisdom is constantly changing in markets, and we try to be aware of what may happen next.

Returning to the here and now, the NZ and Australian economies are not providing an easy backdrop for equity markets. NZ is very much in the "waiting room", with our ongoing terms of trade boom being offset by the multi-faceted impact of higher oil prices.

The ANZ Business Outlook survey showed continuing solid own-activity expectations of +47.9 (+48.2 prev), but actual activity was a relatively weak +10.8 (was +16.4) versus one year ago. Inflation expectations were quite encouraging at an unchanged 3.25% despite the lift in fuel prices. The Massey University GDP Live metric points to quarterly growth running at 0.6% but activity being flat on a year ago. The ANZ-Roy Morgan Consumer Confidence reading barely moved in September, falling -0.4 to 97.6. This is 17 points above the April abyss, but the chart below shows what an ongoing battle this sector of the economy is fighting. The glory days of readings in the 100-130+ region seem like a lifetime ago.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

The NZ economy is in a moribund state awaiting an Iran resolution. Should we see one, there is the potential for a sharp equity market rally, and that is what we continue to be positioned for. Unlike Australia, we are trading somewhat below fair value, even at current denuded earnings forecasts. This positioning hasn't worked for the Fund in the last couple of months, but when the returns do come, they will come quickly.

In contrast to the slowly thawing NZ permafrost, the Australian economy has overheated and is staging a contraction that is most unfamiliar to our West Island cousins. The Westpac-Melbourne Institute Consumer Sentiment Index fell from an already weak 88.9 in August to 84.4 in September. August CBA credit card growth slowed to +4.1% versus usual growth in the +6% region. August unemployment ticked up slightly to 4.6%, with most job additions being part-time. The RBA hiked by 25bp to 4.6% and made relatively hawkish comments. Dwelling prices in September fell -1.1% m/m after a -1.2% reading in August – this is a nasty annual rate, but housing is still very unaffordable. August trimmed mean inflation was slightly lower than feared but is still running far above the 2%-3% RBA target range.

The basic problem facing Australia is that the RBA let the economy continue to run hot following the post-Covid funny money period. They were data-dependent and are only tightening now at the very time when all the activity indicators are rolling over. By this time next year, they will probably be looking at a recession and ebbing inflation outcomes may see them start to ease. They are creating the economic cycle rather than smoothing it. Meanwhile, higher rates and weakening earnings outlooks do not bode well for Australian domestic cyclical.

Fund Performance in September

Returning to the Fund's performance in the month of September, our overall return of circa -0.6% pre-fees was driven by predictable returns from our long and short books in a down-month. Our longs returned -1.8%, while our smaller short book partially offset that with a +1.2% outcome. The magnitude of the winners and losers was generally quite small. Our "winners to losers" ratio was a mediocre 53%.

Our gross position (longs + shorts) rose slightly from 119% to 122% and our net exposure was almost unchanged at 46.5%. We remain heavily net long NZ. It feels like waiting for Godot for this to work but we are comfortable with the valuation support and the upside potential when external clouds clear. A further tail risk may be an unorthodox Finance Minister following next month's election, but this is unlikely in our view relative to the press noise that is out there.

September saw the 50/50 index of Australia/NZ have a nasty 12 negative days and the average decline on them was -0.44%. The Fund was up on five of those days and had an average return on them of -0.04%. We remain uncorrelated, with our performance being driven by stock selection rather than market movements.

Our strongest headwind was the long-term holding in GDI Property (GDI, -6.0%), which is also our largest single position. It closed the month at \$0.625 versus a NTA of \$1.21. This NTA is based on a perfectly reasonable cap rate of 6.9%, and their gearing of c33% is fine. Indeed, they are using the proceeds of recent car yard sales (at slightly above NTA) to conduct a small buyback. The NTA has upside risk as Perth is still experiencing positive absorption and GDI has one weak asset that may finally be getting some potential leasing interest. On top of this, they have a highly profitable mining village JV and some syndicates with embedded performance fees. The 5cps dividend gives a gross yield of 9.3% to a NZ investor on a 28% tax rate. The share price will bounce around with bond yield movements, but this is a perfectly acceptable return with upside tail risks.

A second key laggard was our modest position in the takeover target, OFX Group (OFX, -25.9%). It ended the month at \$0.615 versus the takeover bid of \$1.00. One day saw it have a mysterious -23% decline on no news in the sniffy Australian market. They subsequently stated that the bidder has largely completed its DD, it has reconfirmed its \$1.00 bid and is progressing its financing arrangements. They have extended the exclusivity period from end-September to end-October to facilitate this. There clearly remains some risk, but the appeal

of OFX is that a bidder can take the revenue and drop much of the cost base.

The third largest detractor was the mid-sized holding we have built up in the wealth management platform business, Praemium (PPS, -19.1%). There was no new news behind the decline other than weak markets, although rising cash rates are a modest help to them. As this is being written, they are +9% on news that their CEO has resigned just a couple of weeks after a new Chair was appointed. The attraction to us is a forward PE of 13.8x going to 10.7x and 9.9x for a business which has strong structural growth drivers.

Other headwinds came from news-free declines in a number of our longs. Examples included Ebos (EBO, -7.7%), Servcorp (SRV, -6.2%) and Intelligent Monitoring Group (IMB, -8.6%). These three are all good examples of the sorts of longs that we seek out – they have solid medium-term growth outlooks on cheap entry multiples.

Our tailwinds were just as moderate and mundane as our headwinds. The largest was what is still a good-sized position in our old friend Tower (TWR, +5.4%), which rallied following a positive reinsurance renewal that was well ahead of analysts' expectations. We are now past the 30 September year-end, so they should be able to pay a 3-4cps special dividend on top of their regular dividend when they report in November. The general sell-side analyst view that assumes they get hit on their full large event excess every year has once again proven too conservative. We also believe they are doing extremely well with their new Westpac insurance partnership.

A second winner was our large holding in Omni Bridgeway (OBL, +3.5%), which we lifted further when it was hammered on 18 September due to falling out of an ASX index. Such moves are incredibly frustrating in the short term but great opportunities in the long term.

Other winners were all very modest. We shorted the wildly overpriced Guzman Y Gomez (GYG, -10.6%) when it bounced aggressively on an in-line result in August, with gravity duly reasserting itself in September. A reasonable position in Vital Healthcare Property (VHP, +3.3%) did well thanks to an index upweight that generated far more buying volume than the market was positioned for. We were able to assist with that.

Thank you for your continued support and interest in the Fund. September was a frustrating month where we came out of the gates strongly but were gradually chipped away at due to weak markets, seeing our long book fall alongside our short

book, but with the former being larger. Looking forward, markets are becoming increasingly concerned with soaring bond yields. They are clearly problematic, but we are also aware that this could change on a dime if an Iran resolution is reached and oil prices fall. However the future plays out, we will endeavour 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