

# SALT

## Salt Long Short Fund Fact Sheet – February 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 28 February 2026

Benchmark	RBNZ Official Cash Rate +5% p.a.
Fund Assets	\$177 million
Inception Date	31 July 2014
Portfolio Manager	Matthew Goodson, CFA

### Unit Price at 28 February 2026

Application	3.5046
Redemption	3.4905

### 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 28 February 2026

Long positions	51
Short positions	33

### Exposures at 28 February 2026

Long exposure	88.52%
Short exposure	36.09%
Gross equity exposure	124.61%
Net equity exposure	52.43%

### Investment Risk to 28 February 2026

Fund volatility <sup>1</sup>	6.56%
NZ50G / ASX200AI volatility <sup>1</sup>	13.32%
NZ50G / ASX200AI correlation	0.065

1. Annualised standard deviation since fund inception.

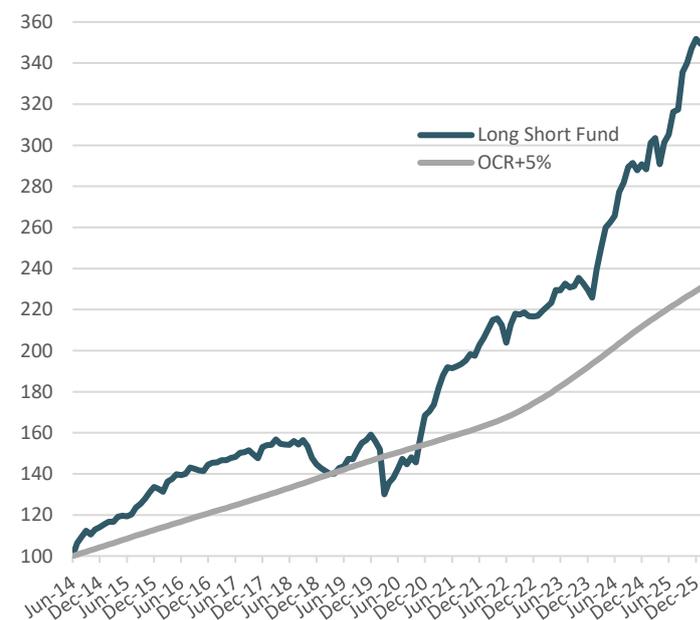
### Fund Performance<sup>2</sup> to 28 February 2026

Period	Fund Return	OCR+5% Return	NZ50G/ASX 200AI Return <sup>3</sup>
1 month	-0.09%	0.54%	3.06%
3 months	0.53%	1.76%	4.39%
6 months	10.00%	3.65%	5.03%
1-year p.a.	15.91%	7.90%	12.74%
2 years p.a.	20.71%	8.93%	10.68%
3 years p.a.	16.76%	9.41%	8.44%
5 years p.a.	14.97%	8.28%	6.46%
7 years p.a.	13.78%	7.55%	8.34%
10 years p.a.	10.28%	7.34%	9.62%
Inception p.a.	11.31%	7.46%	8.99%

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 28 February 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	Largest Shorts
GDI Property Group	Commonwealth Bank of Australia
Heartland Group Holdings	Chorus
Servcorp	Brambles
Tower	Monadelphous Group
Vital Healthcare Property	Auckland International Airport

### SALT FUNDS MANAGEMENT

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**Country Allocation at 28 February 2026 (Gross Equity Exposure)**



**February 2026 Individual Stock Contribution**



**Fund Commentary**

Dear Fellow Investor,

February saw the Fund deliver a return that was close to zero, with a performance of -0.09% after fees. On face value, if one had hibernated for the 28 days of February, it would have looked like a boring month where nothing much happened. However, we did not have the luxury of hibernating, and we can attest that it was one of the most volatile and perplexing months in years. Unlike some of our brethren, we are pleased to have made it through with just one or two minor flesh wounds.

This comment does not obviously square with the performance of the NZ equity benchmark of +2.2% and an even stronger Australian long-only return of +3.0%. However, these impressive overall numbers conceal a month that displayed record volatility and remarkable dispersion between sectors, which saw Banks soar +13.5% and Materials surge +9.1% but Technology collapse by -24.8% and Healthcare fall -17.7%. If only we'd kept all our old technology shorts from a year or two ago – but at least we weren't net long.

Under the hood, February saw a result season that had a relatively normal ratio of beats to misses but which saw hugely volatile responses to these; we had the rapid development of AI models inducing a software sector Armageddon; we had a boom in resource stocks despite record stockpiles; we had an

Australian economy which showed all sorts of overheating symptoms; and an NZ economy that is best described by the technical term of “blah”. We will examine each of these in turn below.

As we write this, the US and Israel have launched major strikes on Iran, which in turn has retaliated on Gulf State nations and is attempting to close the Straits of Hormuz, through which 20% of the world's oil transits. Markets have largely but not entirely taken this conflict in their step. On the one hand, investors have been conditioned to buy any temporary sell-offs – “when the missiles fly it's time to buy”. On the other hand, any lasting disruption and rise in the price of oil will be a major negative supply-side shock.

So, the question becomes does this conflict last for a week or a year? We have no special insight into the mind of Donald Trump or the next Ayatollah, so we have not placed major bets either way. We do have one long that is exposed, with Servcorp (SRV) having 20-25% of its office floors in the wider Middle East. The share price has been hit in the short term but we understand that they continue to get paid and that their counterparties are high quality.

Result season in Australia was memorably described by the eloquent journalists of the AFR as seeing the “enshittification” of the ASX. We saw wild intra and inter-day price swings on the most minor of beats and misses. Our read is that contrarian, patient, long-term investors are in increasingly short supply and have been over-run by passive funds and momentum monkeys. We found this painful at times on a day-to-day basis but it creates tremendous opportunities if one has a normal investing timeframe.

Putting some numbers on this, the excellent strategy research from JP Morgan pointed out that February saw more than one third of ASX200 companies move by at least 3 standard deviations above the normal daily move on result day – the highest proportion since they started tracking this measure in 2015. While some of the moves were offsetting, this still saw overall market volatility that was the highest in four years. This was against a background of a normal ratio of beats/misses but with a market that is at near-record valuation multiples.

February saw a veritable deluge of evidence that the Australian economy is overheating. They are running loose fiscal policy that is only partially funded by their temporary commodities boom and they have not had the “recession we have to have”, to coin Paul Keating. That said, the RBA did stir themselves early in the month with a hawkish 25bp rate hike to 3.85%. May and perhaps even August hikes are now on the cards and the market is pricing 1.4 rate hikes as this is written.

Following the RBA’s initial move, there was much further evidence of inflation risks. Listing these: January unemployment fell to 4.1% (vs 4.2% expected) and saw a strong mix of full-time versus part-time gains; January credit growth surged +7.7% y/y, the strongest since 2022 – never mind that Sydney house prices are now almost as unaffordable as Hong Kong; House prices surged +9.9% y/y in February, rents rose +5.6% and expectations of house price growth are near record levels; CPI inflation in January surprised to the upside, with the key trimmed mean inflation measure being +3.4% y/y; the RBA published a paper showing that several factors have lowered banks’ funding costs for a given OCR, which means the “neutral” OCR rate may be higher than previously.

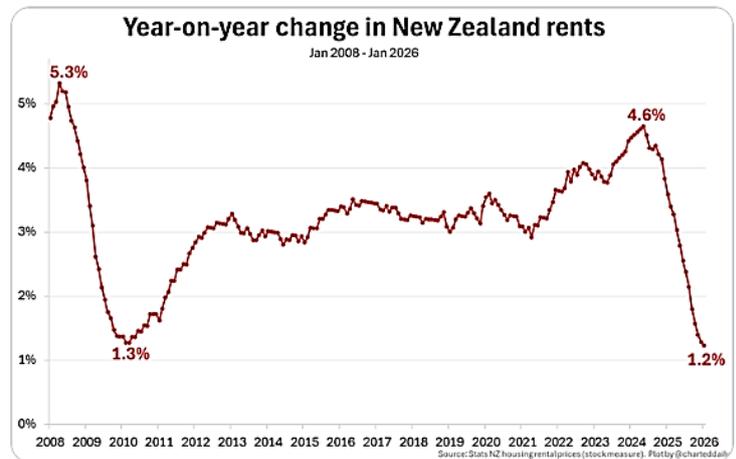
Put all this together and it should have been no surprise that the RBA Governor came out with a hawkish warning in early March, stating that, “every meeting is live.... the Board actively looking if it needs to move more quickly.” It is a rather obvious trade to be short housing and rate sensitive stocks.

In contrast to the Australian boom, the NZ economy has been “blah”, to coin a technical term. For every piece of data that supports our bullish tilt, another piece says that activity is merely hanging in there. Result season was solid and outlook comments

were positive but tended to be couched more in hopes for the second half of the year rather than what most companies are seeing right now.

The first outing for NZ’s new RBNZ Governor saw a surprisingly dovish Monetary Policy Statement (MPS) mid-month, with a statement that “monetary policy is likely to remain accommodative for some time” and the forward OCR path similarly showed the 2.25% level remaining the case until a 25bp lift in 1Q27. This compared to prior market expectations of 1-2 hikes this year. The MPS saw the critical 3-year swap rate fall by 25bp to 3.18% in the month.

The MPS looked beyond recent upside surprises to headline inflation and focused on more stable core inflation, an elevated unemployment rate, a large output gap and weak house price growth. Data was a mixed bag but was broadly consistent with this view. The RBNZ Inflation Expectations Survey showed a concerning rise in one year ahead expectations from 2.39% to 2.59%. However, wage inflation data was well behaved, we had very weak REINZ data in January, this month’s ANZ Roy Morgan Consumer Confidence Index fell from 107.2 to 100.1 but continued strength in the ANZ Business Outlook in terms of firms’ activity outlook was accompanied by a lift in pricing intentions. Offsetting this, the chart below shows that NZ’s long-term problem of rental inflation has finally been slayed.



Moving to the US market, investors continue to be very dovish and are pricing in over two Fed rate cuts by the end of 2026. This doesn’t really line up with the latest data. Core PCE inflation for December came in at +3.0% y/y, which was slightly above expectations and well above the recent lows of +2.6%. Just after month end, February ISM Prices Paid saw an index of 70.5, far ahead of the 60.0 expected and 59.0 prior. Similarly, core PPI for January registered +3.6% y/y versus +3.0% consensus. Commodity prices and tariffs appear to be the main culprits. This is all before the stagflationary impact of the Iran war comes through. Unless services inflation ebbs rapidly (ISM services prices did fall to 63 versus 66.6 prior) and unemployment rises

quickly, the Fed's options for a market-boosting rate cut seem rather limited.

One area of pain for the Fund during February was our collection of moderate short positions across a range of commodity companies. Call us old-fashioned but normally when inventory levels are at multi-decade highs, they indicate they supply is exceeding demand and that prices should fall. The chart below shows global copper inventories as an example.



There are all sorts of tall stories about supply disruption (it's at about normal levels) and there is a wall of supply expansion planned for rest of this decade. We put the record prices down to state-driven inventory building, (which will have its limits) and heat from the meme-stock like craze for silver and gold spilling over to \$40 bricks of copper to some degree. The iron ore picture is similar, with Chinese iron ore stockpiles at all-time records, even allowing for the seasonal timing. We have been lonely short-sellers of iron ore and copper names and this is working well in March.

Finally, we have left the best until last, that being the key theme of AI-armageddon that roiled markets in February. We are not quite sure what a generalist fund manager sitting in Auckland is going to add to the picture, but when you see structural swings in markets of this magnitude, you have to respect what the market is saying and be open-minded with respect to all possibilities.

Sadly, we have little left in the way of software shorts (we covered them too early some time ago) and we do have one or two tiny longs which have been awful. We also have a couple of sizeable longs which came under pressure from the potential AI threat. Rather than a generalised exposition on what AI may or may not do to companies, it may be more enlightening to work through the likely impact on our own positions.

Our patent attorney business, IPH Limited (IPH, +0.0%) was not actually too bad in the month but had been very weak prior – which is why we bought it. The story goes that no one will need patent attorneys when AI can simply do all the technical searches

and carry out the filing of patents and trademarks. That seems likely to be a strong use-case for AI models but we suspect it will be IPH that employs these tools and that they will cut a reasonable amount of cost out of the system.

Dig a little further and patent laws require the use of “human ingenuity”, with the requirement being that inventors be “natural persons” and that they have made a “significant contribution” to the patent at hand. I'm not sure that a chap called “Claude” qualifies. Even better, just what a “significant contribution” is will vary in every case and seems likely to lead to a torrent of future litigation – this is good news not bad news for IPH. Dig further and the use of AI systems must also be handled with care due to the rather important matter of legal privilege. Finally, AI is known to hallucinate and make up precedents that simply don't exist – that may become less of an issue over time as the models improve but it certainly does matter. We'll take our chances on IPH at a PE of 7x, cash dividend yield of 11% and short interest positioning of 12%.

A second large holding that has been under the AI pump has been DUG Technology (DUG, +16.0%), who did very well during the month following a great result but had earlier been under pressure from the AI thematic. All we can really say is that DUG were pioneers in using AI within their own specific area of expertise, which is applying super-computing driven analysis to geophysical interpretation and other highly complex problems. Further, the datasets they work with are proprietary to themselves and their client companies. DUG's technology lead over their key competitors appears robust and generalised AI tools are simply not a feature in their segment.

### Fund Performance in February

Returning to the Fund's performance in the month of February, our overall return was basically flat at 0.0% pre-fees, with positive returns from our long book (+1.0%) being entirely offset by our short book (-1.0%). Our overall “winners to losers” ratio was mediocre at 54% - when we have strong months, it tends to be at 60% plus.

Our gross position (longs + shorts) was largely unchanged, with a slight rise from 124% to 125% over the month, which remains a moderate level of risk versus our historic levels. Our net position (longs – shorts) did rise sharply from 46.9% to 52.4% but this perhaps overstates our exposure as we have taken several relatively large positions in very low beta names where we had the opportunity to assist forced sellers at unfair and unreasonable prices. This doesn't mean these holdings will work for us but the degree of risk is relatively low.

February saw only seven negative days for the 50/50 index of Australia/NZ, but the average decline on those days was a sharp

-0.67%. Unusually, the Fund was up on only one of those down-days and we had an average return on all of them of -0.23%. We believe any semblance of correlation will prove fleeting, and that as has been the case for nearly 12 years, there is no discernible correlation between the performance of the Fund and the movement of Australia/NZ equity markets. In February, it just so happened that we tended to be up on the up-days and down on the down-days.

Our largest winner by some distance was the frequently mentioned and rather volatile DUG Technology (DUG, +16.0%). In the last several months it has seemingly been caught up in the AI contagion afflicting the software sector. We discussed earlier why we believe they are largely immune and that they are in fact the leading implementer of their own AI models in their highly specialised geophysics sub-sector. The share price volatility is frustrating, but we see their business as continuing to move ahead and they delivered a very strong result. Their sales pipeline is stronger than ever and there is material potential upside as they convert some of the trials they are doing for some of the super-majors. They have little current revenue in the Middle East, so the Iran disruption will have no material impact although it may slow their targeted future growth.

The second stand-out was a good-sized long we bought in recent weakness in Superloop (SLC, +28.3%). This was previously a multi-bagger for the Fund several years ago and we used its sharp decline from the \$3.30 highs to the \$2.40 region to buy a new holding. SLC earlier hurt us in January as we bought into the share price weakness but they delivered an excellent result and used their strong balance sheet to make a solid acquisition. They have a competitive advantage from having some of their own network and having the lowest servicing costs in the highly competitive broadband connection segment.

A third tailwind was our large long in Heartland Bank (HGH, +6.6%) who delivered a solid result. The sell-side largely views HGH as fairly valued despite a classic Salt PE path of 13.4x in Jun26, going to 11.8x in Jun27 and 10.3x in Jun28. Plus, they pay a 5.3% cash dividend yield that grows over time and they retain enough capital to reinvest for growth in the high ROIC reverse mortgage segment. On top of this, they have catalysts from an easing of regulatory capital requirements. Given the multi-decade demographic drivers behind reverse mortgages, and HGH's strong incumbent leadership in Australia and NZ, we see many years of strong earnings growth ahead. The share price has certainly performed well but when a company can reinvest and earn strong excess returns, investors should stay on board for the ride.

Other long-side winners were led by our largest holding, GDI Property (GDI, +3.3%). GDI's result was fine and they continue to make steady progress filling their vacancies in the strengthening

Perth office property market. We have never heard the typically conservative management team be so positive on the outlook for absorption and rental growth. Good things tend to happen to property when the population is growing at 2-2.5%. At the same time, current downtrodden market valuations are at about half replacement cost, so any rational new supply is many years away. At a 62cps share price, GDI trades at half its \$1.20 NTA which is based off a perfectly reasonable 6.8% cap rate. Their gross dividend yield to a NZ investor is 9.3% and will be cash-covered in the coming year. On top of this, they have some large potential performance fees from managed syndicates which are coming closer to being realised. When we find a situation like this, we go hard.

We also had a couple of shorts that performed well for us. The best was the technology distributor Data #3 (DTL, -28.7%) which fell sharply on a disappointing result. We could never understand why DTL traded at multiples well above global peers when their result track-record has been decidedly spotty. We covered off into the sharp decline. Our short in Nick Scali (NCK, -24.1%) was a very similar story, with the added angle that they will be an obvious loser if we are correct in our thesis that the RBA will have to carry out multiple rate hikes.

On the other side of the ledger, we had an array of headwinds from both the long and short sides.

Our frequently mentioned position in Intelligent Monitoring Group (IMB, -19.1%) delivered a first half number that was behind expectations due to contract start-up delays. While they reaffirmed their full year guidance, this was not enough to save them from a classic short-term pasting. They also looked as though they were on the wrong side of a portfolio transition flow. From here, IMB is on a PE path of 10.2x Jun26 forecasts, going to 7.3x and 6.3x.

A second hit came from our small long in Readytech Holdings (RDY, -50.2%). We had bought it following weakness some time ago and interactions with management suggested they were on top of the sales issues they had faced. Well, they weren't. RDY provides management software to the government and education sectors and we viewed it as a materially cheaper version of Technology One. We immediately sold much of our position following their result and it is now an immaterial holding.

Other long-side headwinds came from the mid-sized holding that we have been building up in the former blue-chip market darling CSL Limited (CSL, -19.1%). It fell away following its result even though we viewed it as far from being the disaster that the market had perhaps feared. There is now widespread distrust of CSL's growth outlook, and even though it faces no patent cliff unlike global peers, it is on a PE path of 15.0x going to 13.9x and

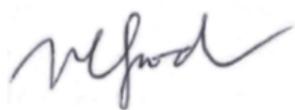
12.9x. We will continue to gradually lift our holding on weak days. Small pullbacks in Tower (TWR, -3.9%), Precinct Property (PCT, -6.0%) and Ebos (EBO, -9.4%) were other longs that caused a degree of pain.

From the short-side, our chief error was the widow-maker Commonwealth Bank (CBA, +16.9%) which surged following a result that was slightly ahead of expectations. Fortunately, we had used the prior pullback to cover a proportion of what had been a very large position. CBA has returned to being on a PE of 26.5x for future EPS growth of 2-4%.

Other pain came from an array of shorts which bounced on better-than-expected results and where valuation was apparently of minor concern. Examples included Brambles (BXB, +12.0%), Auckland Airport (AIA, +10.9%) which actually had a mediocre result with soft outcomes in its highest multiple retail segment, and Westpac Bank (WBC, +9.6%). We also suffered from a sharp rise in resource companies, where the love seemed to be undying despite record iron ore and copper stockpiles. BHP Limited (BHP, +15.5%) and Rio Tinto (RIO, +10.4%) were the largest lowlights here.

Thank you for your continued support and interest in the Fund. February saw the beginning of the Year of the Fire Horse and it did not disappoint with the AI-armageddon, the hostilities with Iran and the outsized reactions experienced in result season. Whatever one thinks of the Chinese calendar, it was pointed out to us that the last Fire Horse in 1966 marked the start of the Cultural Revolution. We live in interesting times.

After a wonderful few months where we consistently called many stocks correctly and had win/loss ratios above 60%, Mr Market has decided to take a hiatus from agreeing with us over the last couple of months and we have reverted back to the 50% region. Nevertheless, we have more-or-less held the Fund's performance together and 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