SALT

Salt Long Short Fund Fact Sheet – June 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 June 2026

Benchmark	RBNZ Official Cash Rate +5% p.a.
Fund Assets	$191 million
Inception Date	31 July 2014
Portfolio Manager	Matthew Goodson, CFA

Unit Price at 30 June 2026

Application	3.5097
Redemption	3.4956

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 June 2026

Long positions	47
Short positions	31

Exposures at 30 June 2026

Long exposure	80.46%
Short exposure	41.14%
Gross equity exposure	119.48%
Net equity exposure	39.42%

Investment Risk to 30 June 2026

Fund volatility[1]	6.55%
NZ50G / ASX200AI volatility[1]	13.36%
NZ50G / ASX200AI correlation	0.079

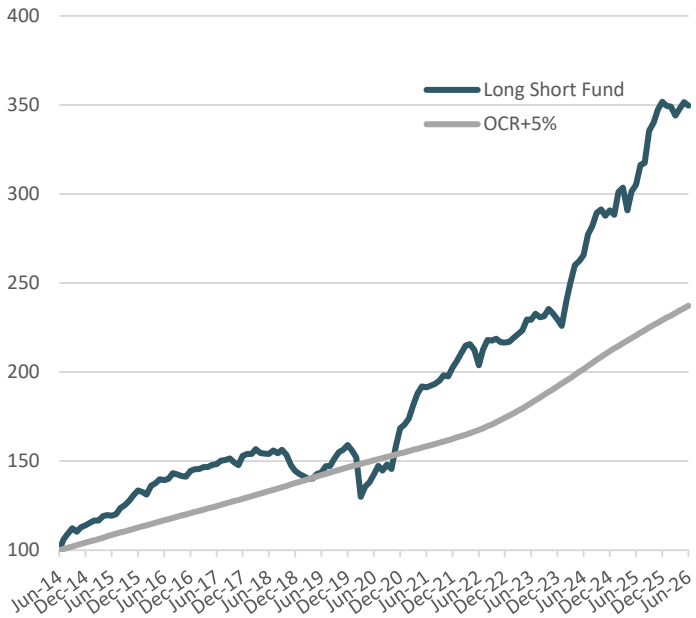
1. Annualised standard deviation since fund inception.

Fund Performance[2] to 30 June 2026

Period	Fund Return	OCR+5% Return	NZ50G/ASX 200AI Return[3]
1 month	-0.56%	0.61%	1.76%
3 months	1.63%	1.76%	4.78%
6 months	-0.63%	3.52%	1.37%
1-year p.a.	14.53%	7.50%	7.05%
2 years p.a.	14.73%	8.45%	8.99%
3 years p.a.	15.08%	9.09%	7.66%
5 years p.a.	12.80%	8.41%	4.56%
7 years p.a.	13.56%	7.59%	6.46%
10 years p.a.	9.64%	7.34%	8.37%
Inception p.a.	10.99%	7.46%	8.55%

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 June 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	Chorus Networks
Turners Automotive Group	Commonwealth Bank of Australia
Servcorp	BWP Trust
DUG Technology	Meridian Energy
Omni Bridgeway	Reece

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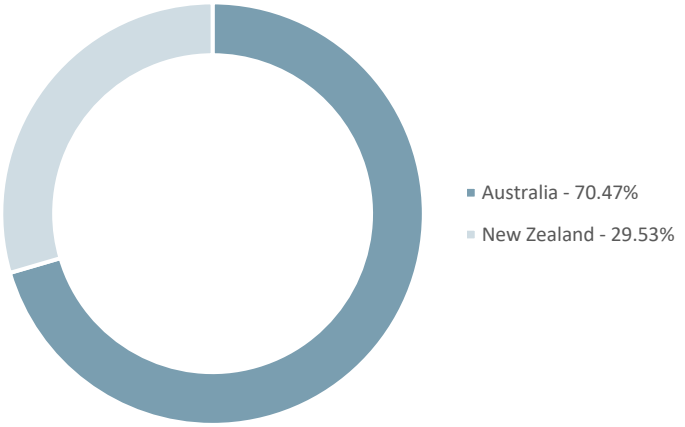
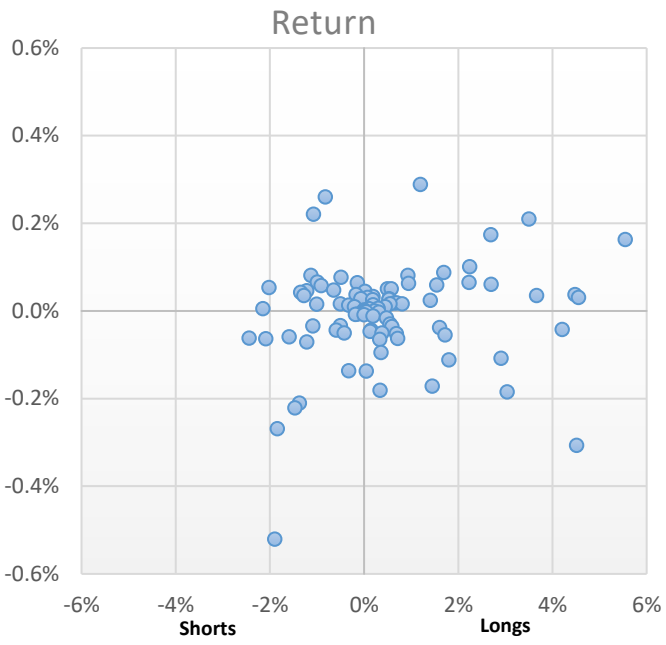
Country Allocation at 30 June 2026 (Gross Equity Exposure)



June 2026 Individual Stock Contribution



Fund Commentary

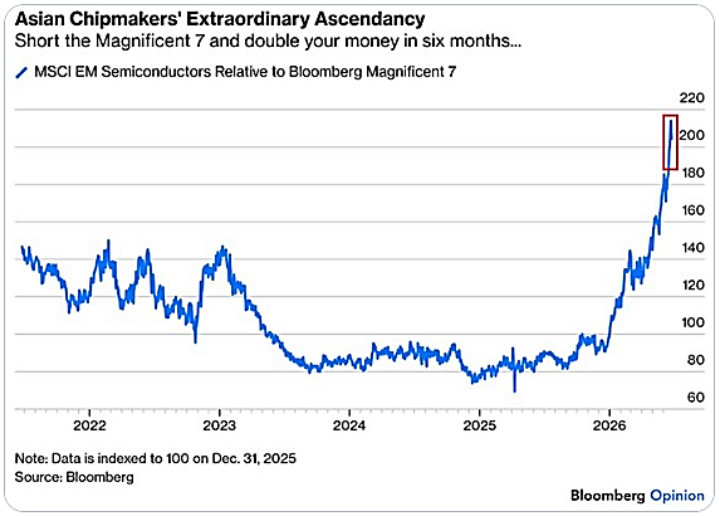
Dear Fellow Investor,

The Fund experienced a modestly negative month in June with a return of -0.56% after fees. This compared to a +2.9% advance by the NZ equity market and a +0.7% rise by the ASX benchmark. There were no major problem-children driving the Fund's slight negative return and it was more the accumulation of a range of share price movements which leave us well-placed on the go-forward. The overall Fund performance for the June quarter was +1.63%.

Several key themes are dominating our thinking at present:

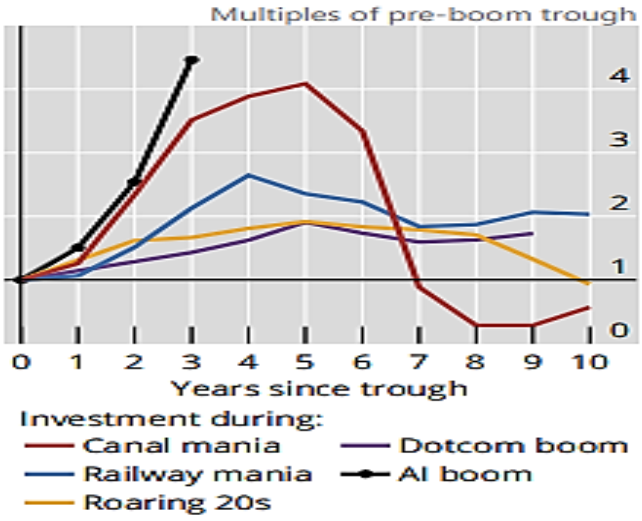
1) The technology sector boom continues but its nature is changing. Potentially AI-impacted software stocks are starting to bottom out, hyper-scalers may be topping out and semiconductor stocks have seen a remarkable boom. This is a notoriously cyclical sector and multi-trillion dollar chip investment plans make this a rather dangerous advance.
2) A global equity bull market continues but it is becoming increasingly narrow.
3) US inflation is not retracing and we have seen quite the change to an expectation of Fed rate hikes rather than cuts. This has seen the USD soar and in turn hammered gold, bitcoin and the NZD cross-rate.
4) The most cyclical parts of the Australian economy are starting to roll over but there was a bizarre rally of some cyclical names during the month.
5) The NZ economy is displaying some tentative early signs of returning to its strong pre-Iran cadence but it remains tentative and many stocks are yet to reflect this.

The nature of the AI boom is both slowing and changing. The Philadelphia Semiconductor Index rose by a staggering +88% in the June quarter but only by a mere +11% in the June month. Meanwhile, the Magnificent 7 ETF rose by +11% in the quarter and actually fell -9% in the last month. The chart below shows the relative performance of semiconductor stocks versus the Mag7.



However, this is a dangerously cyclical sector. Building a chip fabrication plant is incredibly capital intensive, takes 3-5 years, it needs to be run at near 100% capacity to spread the fixed costs and it is subject to sizeable obsolescence risk as technology keeps improving. Japan and South Korea have just announced US$5.3trn of investment plans in the broad AI, semiconductor and data centre segments and there is plenty more out there. What could possibly go wrong?

The key demand driver for chips is datacentres and the headlong expansion of this sector is continuing. However, it is beginning to see a few questions raised beyond the usual coterie of perma-bears. A report by the Bank of International Settlements received a lot of interest near month-end, with their chart below putting the sheer size of the investment boom into perspective.



The basic BIS argument is that the five largest hyper-scalers are planning to spend over US$1trn in AI-related capex in 2026 alone, with the rate of investment far outpacing the free cashflow generated by those firms. The competitive pressure to build is reducing the economic surplus of the sector, with this compounded by soaring input prices due to shortages in semiconductors, electricity and grid equipment. Firms are entering long-dated contracts to "hoard" these scarce inputs and this raises risks of overinvestment should there be any cracks in strong demand growth for AI services.

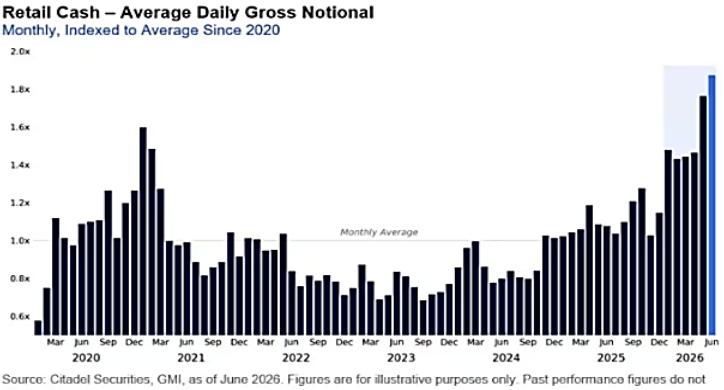
The BIS argues that the historical episodes of investment booms all ended in tears for the initial capital investors. If/when these risks play out, the BIS argues that this could see a major impact on credit markets and historically low risk premia in equity markets could expand back to more normal levels (i.e. share prices fall). These risks are compounded by the risks of a rapid unwind of the highly questionable circular financing by chip makers and hyper-scalers of AI labs and neocloud providers.

To be balanced, this dire scenario of a major potential crash need not play out and it should be remembered that a key role of the BIS is to look for potential systemic vulnerabilities. What it does do though is put the race between soaring AI demand and burgeoning supply into perspective. Suddenly, markets have become alert for any signs that supply may exceed demand. Moves by SpaceX and Meta to sell access to their AI computing power rather than use it all themselves have driven sharp weakness in the neoclouds and some listed data centre companies as this is written.

The Fund currently has only minor positions in the data centre/neocloud segments but we do wonder how durable the +208% June quarter surge in the likes of Megaport (MP1) will prove to be. It is hard to envisage us having much interest in the planned Australian listings of Sharon AI or Firmus given the current risk-reward set-up.

It has been a strange bull market, with all sorts of contradictory signals between the segments of the market that are hot and those that decidedly are not.

Retail investor interest is through the roof as shown in the chart for the US market below.

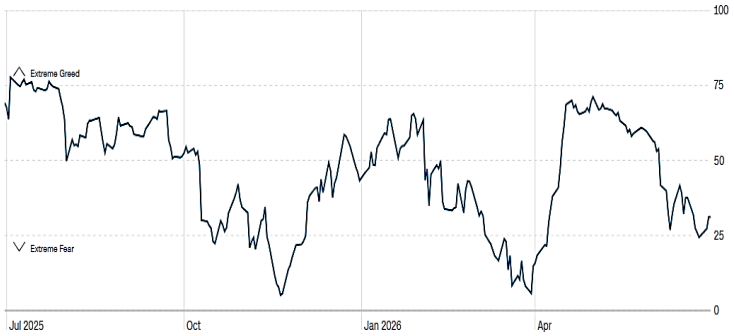


Source: Citadel Securities, GMI, as of June 2026. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

It is similar in Australia, with CommSec seeing 28,000 retail

accounts bid for SpaceX, which is 4x larger than any previous IPO. Who on earth would want to own a moderately cheap company with a good yield when you can have exposure to the future colonisation of Mars?! This is an amalgam of 1987 and 1999.

While greed runs rampant in some sectors, other sectors are colder than ice. Indeed, the overall CNN Greed & Fear Index is near its extreme fear level of 25.



This fear indicator is a normally an excellent contrarian buy signal and we wonder if it is sending a message about downtrodden sectors such as healthcare and software. June saw the beginnings of a rotation, with the utterly despised Healthcare sector leading the pack at +13.3% in Australia. We are long Ebos (+6.7%) and CSL (+18.8%) in the Fund.

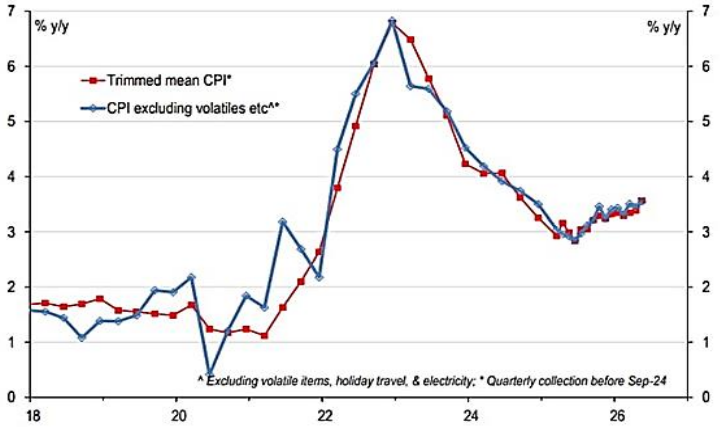
The problem we have with being long Australia is that sentiment is yet to be crushed. Many valuations remain expensive at a time when bond yields have risen back to pre-GFC norms in the 4.8%-5% region and monetary policy will have to stay tight for an extended period.

A classic example of innate Australian bullishness came in this doozy from a leading Wesfarmers analyst: "…valuation remains rich at 29x FY27 PE but given positive earnings revisions in an uncertain market we think a premium valuation is warranted …. our EPS forecasts reduce by 1% across FY27/28." Actually, WES ended the month on a forward PE of 35.2x F26 and 32.7x F27 earnings. It's a great business but do you really want to own Bunnings on 35x earnings when the Australian housing sector is in the throes of rolling over? Sydney and Melbourne auction clearance rates are now below 50%.

The RBA delivered a hawkish hold at its meeting mid-month, leaving their OCR at 4.35%. We were very surprised that in response to this, the Australian market suddenly decided that this would be the last hike and they proceeded to aggressively chase cyclicals. The Consumer Discretionary sector rose by +12.2% in the month, which we obviously used to lift our shorts in that area.

The August RBA meeting is shaping up to be pivotal. The housing bubble is beginning to roll over in Sydney, Melbourne is moribund but some other key cities remain strong for now. Employment data is still strong, with May unemployment falling from 4.5% to 4.4%. Wage inflation looks set to be embedded following the Fair Work Commission's weighted average lift of +5.2% in award and minimum wages. Worse, trimmed mean inflation in May rose from +3.4% to +3.6% y/y and is clearly above the RBA's 2%-3% target range.

The chart below from UBS shows the problem facing the RBA. Trimmed mean inflation hasn't been in their target range since 2022 and is now going the wrong way again. To make up for past policy errors and maintain credibility, they may have to tighten into a slowdown. Shorting consumer discretionary stocks on PE multiples above 30x seems appealing.



The US is in a similar position to Australia, with core PCE inflation being well above their 2% target despite a relatively weak consumer in their K-shaped economy. The market changed its view in June and is now starting to tease out the possibility of rate hikes rather than rate cuts. This sent the US$ skywards and saw the NZD, AUD and gold prices all weaken.

NZ is in a rather different position. The key debate is around the knife-edge call that the RBNZ will make this week on whether to lift our 2.25% OCR. The issue is that they clearly cut too far in moving down to that level, but given the spare capacity in the economy, any hike will be pushing on a piece of string. In any case, the market has already priced several hikes but has slightly moderated its view of how far the RBNZ will have to go. The important 3-year swap rate peaked at 3.85% in May but has since fallen to the 3.5% region. This is a critical funding rate for businesses and households.

Another key question is whether our economy can return to its strong pre-Iran cadence of the March quarter. It is still very early and petrol prices remain quite elevated but there are some hopeful signs. The June ANZ Bank Business Outlook

survey saw firms' own activity outlook lift from 25.6 to 36.9, although activity relative to a year ago remained weak at 9.0. Helpfully, inflation expectations took a dive from 3.63% to 3.36%. Similarly, ANZ-Roy Morgan consumer confidence lifted +4 to 91.3 but is still well below the January peak of 107.3. Our conversations with one or two companies suggested a pick-up in the back half of June. Elsewhere, the rural sector continues to boom but REINZ data shows the housing market remains in a deep funk. Christchurch and Wellington are in parallel universes.

As investors, if we wait for widespread evidence of an economic rebound, it will be too late – share prices will have moved. Our approach in the Fund is that there are multiple reasons to expect the economy to rebound, so we are comfortable being long the like of Turners (TRA), Heartland (HGH) and NZME (NZM) at what may prove rather attractive valuations.

Fund Performance in June

Returning to the Fund's performance in the month of May, our overall return of circa -0.6% pre-fees was composed of a disappointing return from our long book of 0.0% and a headwind from our short book of -0.6%. Our overall "winners to losers" ratio was a solid 58% but there was a skew to having slightly more large losers than winners.

Our gross position (longs + shorts) rose quite sharply from an unusually low 113% to 122% over the month as we found a range of opportunities on both sides of the ledger. Our net position fell slightly from 41% to 39% as market strength naturally saw us be slightly larger sellers than buyers.

June saw the 50/50 index of Australia/NZ have ten negative days although the average decline on them was only -0.29%. The month was also unusual in how NZ and Australia frequently moved in opposite directions, suggesting market-specific rather than broader macro factors were at work. The Fund was up on only three of the negative days but had an average return on all of those days that was close to zero. We continue to be uncorrelated to markets.

Our largest headwind was a sharp rise by the Australia/US plumbing retailer, Reece (REH, +24.9%). It moved higher for reasons that were difficult to put any rational explanation on. There was a vibe in Australia that maybe rates have reached their peak. Perhaps that could be true, but with inflation being stuck above the RBA's target range, and still rising, that view looks rather hopeful. In any case, the downturn in one of the world's most egregiously overpriced housing markets has only just started, with this compounded by the removal of some investor tax advantages. Meanwhile in the US, expectations moved from rate cuts to hikes as inflation remained stubbornly high. Against this high-risk backdrop for earnings, REH is on a forward PE of 36x Jun26 and 31x Jun27 earnings.

A second key detractor was our moderately sized short in Charter Hall (CHC, +12.2%). They rose by 23% in the June quarter against a generally difficult macro backdrop for leveraged property investments. We think this backdrop will make it difficult for them to execute on the valuation and asset growth expectations held by bullish investors. We also hate putting a large multiple on fleeting valuation gains and performance fees.

The head-scratching surge in Australian retailers created two related headwinds for the Fund via Woolworths (WOW, +13.6%) and Wesfarmers (WES, +13.3%). While investors flocked into WOW on the theory that high inflation is helpful, we suspect that the impact of high wage inflation will weigh. The forward PE of 31.5x is well above historical norms. WES is a touch more cyclical and has slightly less cost inflation risk than WOW but its forward PE of 36x at month-end is beyond the pale. We missed the memo that these stocks have become riskless.

A key detractor from the long-side was our large and oft-mentioned holding in Servcorp (SRV, -5.6%). This was disappointing as the stock was happily trading in the $8 region before being knocked back to the low-mid $6's by the Iran crisis. We had high hopes that it was an obvious candidate to bounce sharply but it has instead fallen further on what seems to be nothing more than a large holder searching for liquidity. SRV has a market cap of $650m, they have over $100m of net cash and they have not changed their guidance of over $100m of free cashflow generation in the Jun26 year. This puts them on a cash PE of 5x and they have a solid growth outlook.

As is sometimes the case, our largest winner this month was our biggest detractor last month – CSL Limited (CSL, +18.8%). It is only a moderately sized long because there have been good reasons for its massive fall from grace. However, at its core it still has a couple of very attractive businesses and when it fell to a PE of <11x Jun26 earnings, we felt that an opportunity had started to open up. The sharp bounce in June wasn't on any obvious news but it was part of the broader rebound of the battered healthcare sector.

Our second standout set of positives came from shorts in the two lithium stocks, Pilbara Minerals (PLS, -22.3%) and Mineral Resources (MIN, -15.5%). They had previously been exceptional performers but we viewed them as having run too far on even very optimistic outlooks for the commodity. For what it's worth, our view is that lithium has some headwinds emerging. New mines are coming on apace, the Chinese economy (and thence car demand) have been weak, and there is an emerging structural threat from silicon battery technologies which are on the verge of commercial feasibility.

Thank you for your continued support and interest in the Fund. June's outcome was slightly negative but it came from a series of share prices that happened to move in the wrong direction rather than any more lasting fundamental mistakes. It is a relief that the Iran conflict is largely in the past and we can move our focus back to more mundane domestic concerns.

Our current positioning is based on the premises that the NZ economy will return to some sort of recovery, while Australia is finally starting to experience a slowdown as the necessary action to rein in inflation is being taken. As always, 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

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