
# Salt Long Short Fund Fact Sheet – January 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 31 January 2026

| | |
|---|---|
| Benchmark | RBNZ Official Cash Rate +5% p.a. |
| Fund Assets | $173 million |
| Inception Date | 31 July 2014 |
| Portfolio Manager | Matthew Goodson, CFA |

## Unit Price at 31 January 2026

| | |
|---|---|
| Application | 3.5077 |
| Redemption | 3.4936 |

## 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 January 2026

| | |
|---|---|
| Long positions | 52 |
| Short positions | 34 |

## Exposures at 31 January 2026

| | |
|---|---|
| Long exposure | 85.31% |
| Short exposure | 38.44% |
| Gross equity exposure | 123.75% |
| Net equity exposure | 46.88% |

## Investment Risk to 31 January 2026

| | |
|---|---|
| Fund volatility[1] | 6.54% |
| NZ50G / ASX200AI volatility[1] | 13.31% |
| NZ50G / ASX200AI correlation | 0.062 |

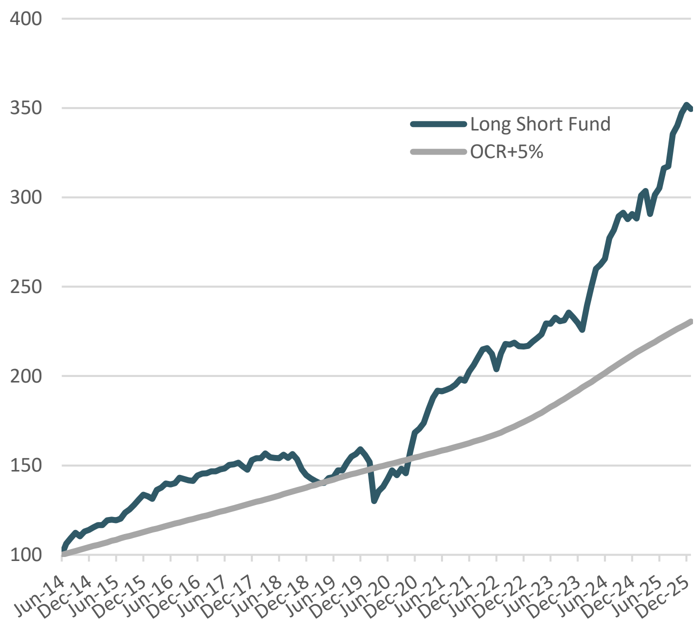
1. Annualised standard deviation since fund inception.

## Fund Performance[2] to 31 January 2026

| Period | Fund Return | OCR+5% Return | NZ50G/ASX 200AI Return[3] |
|---|---|---|---|
| 1 month | -0.69% | 0.63% | 0.43% |
| 3 months | 2.73% | 1.83% | -0.27% |
| 6 months | 10.47% | 3.80% | 3.92% |
| 1-year p.a. | 21.20% | 8.10% | 5.67% |
| 2 years p.a. | 24.37% | 9.10% | 8.94% |
| 3 years p.a. | 17.21% | 9.48% | 6.80% |
| 5 years p.a. | 15.42% | 8.26% | 5.25% |
| 7 years p.a. | 13.64% | 7.56% | 8.40% |
| 10 years p.a. | 10.17% | 7.35% | 9.25% |
| Inception p.a. | 11.40% | 7.47% | 8.78% |

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 January 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 | Monadelphous Group |
| Servcorp | Brambles |
| Heartland Group Holdings | Charter Hall Group |
| DUG Technology | Chorus |
| Tower | Commonwealth Bank of Australia |

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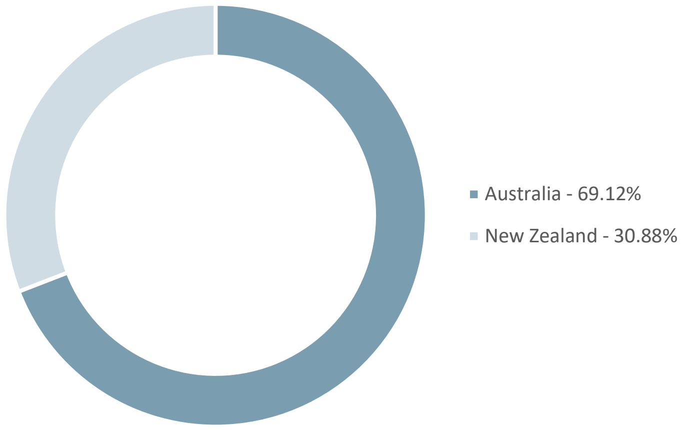
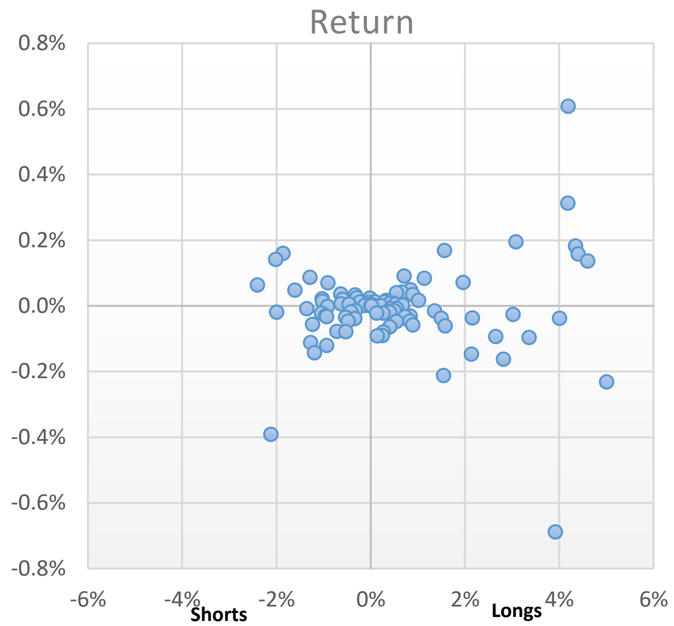
**Country Allocation at 31 January 2026 (Gross Equity Exposure)**




**January 2026 Individual Stock Contribution**




## Fund Commentary

Dear Fellow Investor,

For the first time since April 2025, January saw the Fund experience a negative month, with a performance of -0.69% after fees. We had been solidly up until the final week when a series of news-free price movements drove us to this modestly negative outcome. It compared to a -0.9% decline by the NZ equity benchmark and a +1.8% advance by the Australian equity market, which was entirely driven by mining companies. Volumes were seasonally light but this will change in the next few days as February result season awaits.

January was a little disappointing for the NZ market. A mixed bag of economic news led to a view that the long-awaited growth rebound may not be as strong as hoped and that inflationary pressures may not be entirely beaten. It may be that the RBNZ's hyperactivity will again prove too extreme and that the last cut to a 2.25% OCR was a bridge too far. January saw rates rise across the yield curve, with one-year swap +11bp to 2.72% and three-year swap +24bp to 3.43%. Fixed mortgage rates rose slightly on the back of this.

The main data-point of concern was December quarter CPI inflation, with the headline outcome being +3.1% y/y versus the RBNZ expectation of +2.7% and the consensus view of +2.9%. While this is concerning, CPI ex food, energy and fuel was +2.5% y/y and the proportion of component prices growing faster than 3% was at its lowest since 2020. Inflation is not yet beaten but we are still hopeful that its drivers are not broad-based.

A range of other data showed an economy that is rebounding but that inflation pressures are only moderating slowly. The December quarter QSBO showed that past-quarter trading conditions lifted +11.8 to reach -3.0 and next-quarter expectations rose +13.0 to reach +22.8. However, price inflation measures showed selling prices +1.7 to a still-quiescent 13.8 but next-quarter expected selling prices rising by a sharper +13.2 to be 22.9. These readings are well below the post-Covid inflation peaks but are still on the high side if maintained.

The monthly ANZ Business Outlook survey painted a similar picture, with a net 57% (was 52%) of firms expecting to lift prices, with this being strongest in retail, perhaps due to the weak NZD. Firms' expected own activity also pulled back from an exceptional +60.9 to a still high +51.6.

Rather than being forward-looking, consumer confidence tends to say how the economy is doing right now. The chart below paints an interesting picture of how NZ is climbing up out of the abyss but is still at unimpressive levels versus history. ANZ-Roy Morgan consumer confidence rose from 101.5 to 107.2 in December, within which future expectations rose from 108.9 to 113.5. If that actually occurs in future readings, it will signal an economy that really is back.

**Figure 1. ANZ-Roy Morgan Consumer Confidence**


Source: Roy Morgan, Macrobond, ANZ Research

However, the slight caution is that consumers' two-year ahead expected inflation is still at +4.6%, reflecting ongoing food and electricity price pressures. This survey number has historically always been well above actual inflation outcomes but it does need to come back to the 3-4% region to have any confidence that the RBNZ's bold move to a 2.25% OCR target wasn't foolhardy.

So how does this leave us with one of our key views for 2026 that "NZ economic growth will be solid and inflation will remain in check"? We remain happy with the growth part of the equation but less certain about the inflation side. It may take longer to subside than we had hoped. Whether the RBNZ remains at 2.25% will be a key question for the first half of this year but the election will limit the potential windows in the second half. Upcoming data will really matter. However, we do note that markets are already pricing in 50bp of hikes this year which seems very aggressive.

We remain heavily long NZ cyclical stocks. We remain confident on the economic outlook but will have to take our chances on the rate cycle. We take some solace that cyclical stocks historically tend to do very well after the first hike or two in a cycle – what they need is solid nominal GDP growth but not so strong that rates are hiked aggressively. We may actually get that.

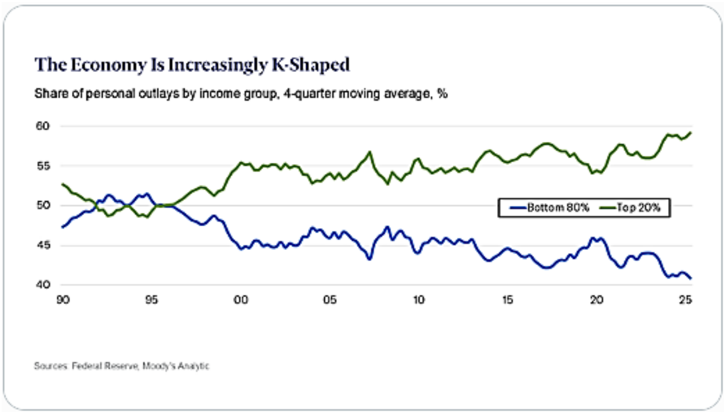
We have also added large longs in a couple of NZ property names on the sharp recent pullback. The rise in swap rates has likely been too aggressive and these stocks have a gross yield in the 7% - 8% region. The gap between these and term deposit rates is very high versus history.

Australia is at a very different point in the economic cycle to NZ, with their economy well and truly overheating. Inflation is well above 3%, house prices are rising by around 10%, there is no spare capacity with unemployment at 4.1% and fiscal policy settings are relatively loose.

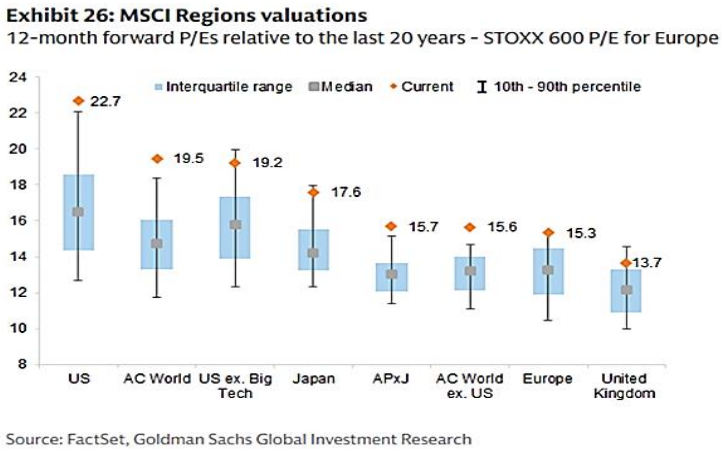
Evidence during January supported this view. Household spending in November rose by a stronger than expected +1.0% m/m and +6.3% y/y, with the last several months being a sharp swing up from earlier in the year. December employment data showed a sharp rise of +65k, dropping the unemployment rate from 4.3% to 4.1%. Late month, core inflation for Q4 came in at +0.9%, well above the RBA's 0.76% expectation and lifting annual inflation to +3.4% y/y versus +3.0% at end-September. The RBA's target is 2.5% and the inflationary sources appear broad-based.

Against this backdrop, the RBA has just hiked their cash rate from 3.6% to 3.85% as this piece is being written. This marks an end to what must be one of the shortest easing cycles in history, with the RBA having made the opposite mistake to the RBNZ by not hiking aggressively enough in the post-Covid era. This first of potentially a couple of rate hikes is happening at a time when Australian equities are at very extended valuation multiples. We remain net short expensive large caps and only modestly net long overall.

In contrast to an improving NZ economy and an overheating Australian economy, the critical US economy is displaying a distinctly split personality, which is best summarised by the chart below.

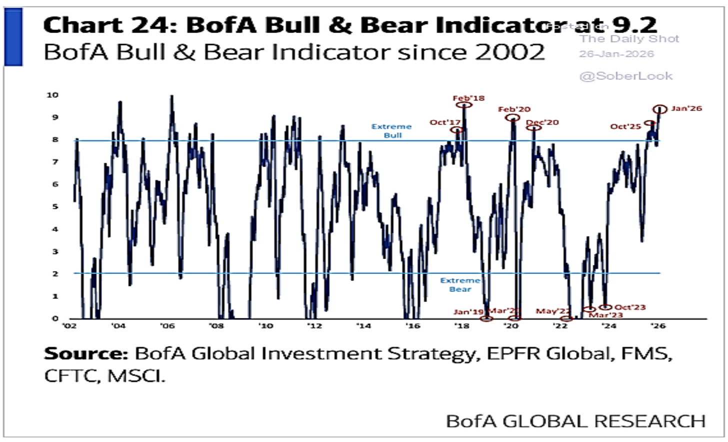



If you are in the top half of the "K" and invested in the right assets then the US economy is in a wonderful position but if you're reliant on wages in the bottom part of the "K" then life is not so rosy. The US economy has become very dependent on elevated equity markets, with the chart below showing just how elevated overall valuations still are.




Even worse, these extremely high PE multiples are occurring at a time when US 30-year bond yields are at heights last seen before the GFC. To state this another way, earnings yields are ultra-low and bond yields are high. The risk premium has disappeared.

With valuations so extended, it should perhaps be no surprise that the widely followed BofA Bull & Bear Indicator is hitting extremes, with this occurring despite the sharp selloff in many software stocks. This is driven by a range of indicators including equity sentiment, cash levels, equity allocations and such like. It has proven a very strong contrarian indicator over time and is flashing red warning signals right now. When Wall St sneezes, the world catches a cold.




Fortunately, the US has such a stable political and economic backdrop that there is nothing to fear…. or maybe not. Putting the unpredictable daily soap opera of US politics to one side, the key risk remains one that was feared but never quite crystallised in 2025 – inflation.

There are four broad drivers that could still be issues:

i) While the Fed funds rate is still well above post-Covid lows, US monetary policy is relatively loose with M2 growth beginning to pick up quickly. Trump's US$200bn mortgage repurchase policy is just QE by another name except it is done by the Treasury rather than the Fed;
ii) The lagged impact of tariffs may become apparent as pre-tariff inventories are exhausted and firms cease absorbing them. Core PPI inflation in December was a very high +0.7% m/m and was broad-based in its sources;
iii) Immigration policy is driving wage inflation;
iv) Fiscal policy is extremely loose, with the deficit running above 7% of GDP.

Recent core inflation numbers have been well above the Fed's 2% target but largely in line with expectations. A shock inflation reading could be one surprise to roil overheated markets in 2026.

How all this links to the newly-appointed Fed Chair, Kevin Warsh remains to be seen but his appointment was enough to derail the "debasement trade" with commodities being hammered and then bouncing as this piece is written. Gold took 5,000 years to reach $1,000/oz but it rose by that much in just 28 days in January before the souffle deflated. Silver has been even more extreme. Perhaps stories of Chinese retail punters lining up to buy Y200 ($40) bricks of copper was a clue that rampant speculation has taken hold.

The Fund has had modest net exposure to commodity stocks although we have made strong returns from our small gold holdings. In the last few weeks, we have moved to more of a net mining company short position, which has proven a little early. We have no view as to where gold goes from here given it is now firmly in the hands of speculative rather than fundamental drivers. However, iron ore does look challenged. The Chinese economy is slowing, Simandou ore is now in the market and Chinese iron ore inventories have soared as shown in the chart of Steelhome Chinese port inventories below. Despite this, BHP and Rio Tinto are near all-time highs on knee-jerk mining company buying.

*Source: Bloomberg*

**Fund Performance in January**

Returning to the Fund's performance in the month of January, our overall return of circa -0.7% pre-fees saw a thankfully rare combination of modestly negative outcomes from both our long book (-0.3%) and short book (-0.5%). Our overall "winners to losers" ratio was the weakest it has been in a very long time at just 48%.

Our gross position (longs + shorts) rose slightly from 122% to 124% over the month, which remains towards the lower end of the level of risk that we typically run. Our net position (longs – shorts) fell back from 49.5% to 46.9% as we lightened several of our strongly performing longs and (prematurely) began to establish some shorts in overblown resource stocks.

January saw a middling number of nine negative days for the 50/50 index of Australia/NZ, with the average decline on those days being -0.34%. We didn't do as well as normal on those days due to not having much short exposure to the sectors that were under the most pressure such as software. The Fund was up on only three of the nine negative days and had an average return on all of them of -0.07%. There continues to be no correlation between the performance of the Fund and the movement of Australia/NZ equity markets.

The largest winner by some distance was our large and long-held position in Servcorp (SRV, +13.4%). On top of the solid dividend yield, the share has risen by more than 2.5x since the holding's inception in 2023 but it is only on slightly higher multiples than when we first bought it. SRV rose as it delivered yet another earnings upgrade during the month against a backdrop of booming serviced office demand. This has secular drivers which we don't believe will dissipate anytime soon. The only slight negative we can see for SRV is the moderate appreciation by the A$. SRV is still cheap. They are now guiding to underlying free cashflow generation of more than $100m in the Jun26 year and their market cap is just $774m, with over $100m net cash.

A second tailwind came from the large position we have built in recent index-related weakness in IPH Limited (IPH, +6.3%). There was no particular news but it bounced following the index event. IPH is a former market darling which IPO'ed at $2.10 and peaked at $10 back in 2022. The knocks are that it is losing Australian market IP filing share, the strengthening A$ will hurt earnings and there are undefined potential risks to patent attorney businesses from the AI revolution. Those are all genuine questions but the stock is now on a PE of 7.5x and appears to be at a low point with patent filings being unusually low relative to their usual GDP growth relationship. IPH has also suffered from issues at the Canadian patent office which are now largely resolved. We are far from being in love but it is too cheap.

A third positive was our long-held position in the litigation funding business, Omni Bridgeway (OBL, +5.5%), which delivered a strong investment portfolio report at month's end. We like how this business is totally uncorrelated to anything else and believe the market is valuing them at a modest discount to the value of their current funds under management, probability-weighted litigation outcomes. It ascribes nothing for the ongoing value of their origination platform.

Other winners included Tower (TWR, +4.0%), which partially carried its massive 16.5cps dividend; our moderate long in the rapidly growing AFT Pharmaceuticals (AFT, +11.5%) did well; and our short in Commonwealth Bank (CBA, -7.0%) continued to contribute as its earnings multiple gradually returns to some semblance of normality.

By far the largest negative was our good-sized long in DUG Technology (DUG, -14.6%) which fell hard on no new information that we could discern. We have no reason to doubt that their industry-leading seismic analytical capability is seeing them continue to win contracts from oil companies around the world. Perhaps there is some latent fear that the AI bogeyman may affect their business but DUG themselves are the leading developers and implementers of "AI"-type solutions in their incredibly specialised segment.

The second largest headwind came from our large long in GDI Property (GDI, -3.9%) although this was largely offset by shorts elsewhere in the property sector. As a reminder, GDI trades at half its NTA of $1.20 which is based off perfectly reasonable property cap rates of 6.7% and has moderate gearing of 34%. Almost all its assets are in Perth, whose strong population growth will inevitably drive the absorption of office space. In addition, GDI manages a number of unlisted syndicates which contain significant latent value. With a

8.4% dividend yield (which grosses up to 9.8% to a NZ investor), we feel as though we are being paid to wait.

Our relatively large short in Monadelphous (MND, +17.5%) has clearly proven premature as it continued to rally on the back of the resources boom/bubble. Our thinking is that MND is trading on a remarkable PE for a contractor of 30x peak earnings and that many of its contracts by value lie in the iron ore sector. As we showed earlier, iron ore inventories are extremely high and the price outlook has considerable risk in our view. For now, MND is riding the wave of enthusiasm for all things copper and gold. We simply went too early and it was only slightly offset by our smaller Emeco Holdings (EHL, +6.5%) long. Other modest shorts in the commodities sector also hurt a little.

A final headwind of note came from our rebuilding of a long in Superloop (SLC, -11.2%) following its sharp recent pullback. This was a name that we made multiples on a couple of years ago. The original thesis is largely unchanged and the valuation has now returned to more reasonable levels. SLC has an extremely low cost of doing business allowing it to make a compelling telco offer to Australian consumers. In addition, with ownership of some of their network, they are able to make highly value-accretive acquisitions of smaller telco resellers and shift the volume over.

Thank you for your continued support and interest in the Fund. As this is written, markets are being roiled by a remarkable but increasingly volatile boom in the price of gold/silver et al. The sudden increase in volatility and huge participation by speculators is likely a sign that we are near the top. At the same time, new AI models are seeing panic affect some software companies which may perhaps be at risk of disintermediation. We are kicking ourselves for not being short. This fear may be deserved in some cases but not in others where distribution, client relationships and companies' own use of AI tools to lower their own costs may see them emerge as winners.

February results season lies ahead. Ahead of the increasingly volatile market backdrop, 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