Salt Sustainable Global Fixed Income Opportunities Fund Fact Sheet – April 2024

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in actively seeking to maximise returns while managing the risks of the investment. Salt examines investments for their environmental and social impact as well as the quality of their governance.

Investment Strategy

The primary objective of the Fund is to target and generate an attractive rate of return over a full three-to-five-year market cycle. To achieve this, the Fund targets a portfolio of global fixed income securities with enhanced total return potential and superior Sustainability characteristics.

The objectives of this top-down selection process are to:
1. Reduce exposure to material ESG risk and negative sustainability impacts, through restriction screening of controversial sectors such as weapons, tobacco and some fossil fuels, as well as international norms violations;
2. Tilt the portfolio in favour of the 80% strongest sustainability performers across corporates, by sub- sector, and sovereigns; and
3. Contribute to positive outcomes based on key sustainability themes, with a particular focus on low carbon intensity.

The Fund will invest at least 50% in investment grade bonds, and a minimum of 15% in sustainable bonds. The fund targets its returns to be 100% hedged to the New Zealand dollar.

Fund Facts at 30 April 2024

Benchmark for ESG purposes	Bloomberg Global Aggregate Index (NZD hedged)
Fund Assets	$85.92 million
Inception Date	10 February 2023
Underlying Manager	Morgan Stanley Investment Management
Average credit rating	Standard & Poor's A- / Moody's Baa1
Effective Duration	3.03 years

Unit Price at 30 April 2024

Application	1.0332
Redemption	1.0321

Investment Guidelines

The guidelines for the Sustainable Global Fixed Income Opportunity Fund are:

Global Fixed Income securities	95% – 100%
Cash	0% – 5%

Fund Allocation at 30 April 2024

Global fixed income securities	96.8%
Cash, Short term & Sundry	3.2%

Fund Performance to 30 April 2024

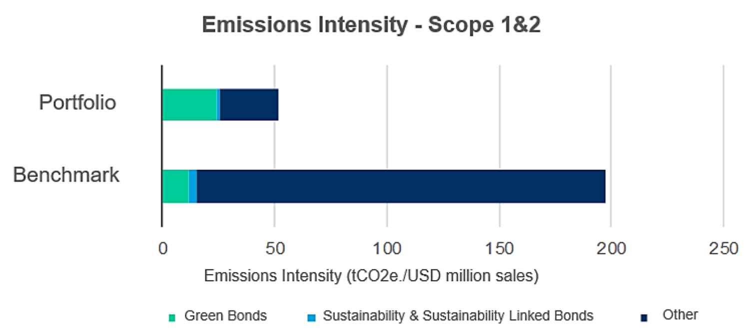
Period	Fund Return (Gross incl. ICs)
1 month	-0.56%
3 month	0.32%
6 month	4.96%
1 year	5.19%
Since inception cumulative	5.85%

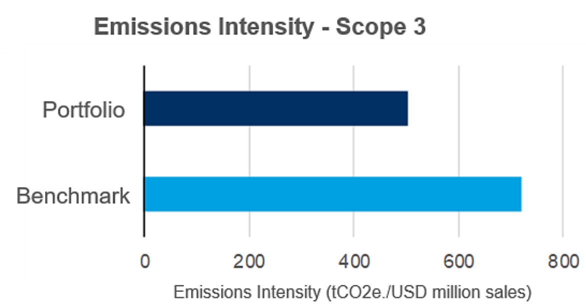
Performance is gross of fees and tax. Data as of 30 April 2024.

Fund ESG Dashboard	Portfolio	Index	2024 YTD change
Exposure to Corporates with CO2 footprint reduction targets	95%	89%	-
Green, plus Social, Sustainability and Sustainability-linked bonds	23.3%	3.1%	+5.1%
Sustainable SBTi approved / committed targets	48.8%	38.7%	+2.1%
CO2 Footprint Scope 1&2 (tCO2e/$mn emission intensity)	51	197	+5.3%
CO2 Footprint Scope 3 (tCO2e/$mn emission intensity	503	721	+2.2%
MSCI ESG Score (Adjusted)	7.07	6.10	-0.17
- Environment score	7.40	5.96	+0.52
- Social score	5.98	6.63	-0.10
- Governance score	6.36	6.45	-0.20

Source: MISM Monthly Investment Report/ MSCI ESG Research at 30 April 2024

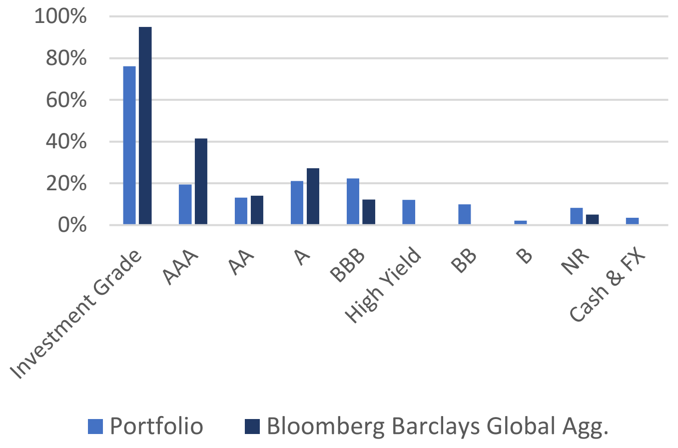
Fund CO2 Emissions Intensity characteristics at 30 April 2024





Source: MISM Monthly Investment Report as at 30 April 2024

Fund credit ratings vs. Bloomberg Barclays Global Agg.



Source: MISM as at 30 April 2024

Portfolio Review

- April month's positive performance can be attributed to the following factors:
- Macro Decisions (long duration) detracted while sector spread (long credit risk) contributions were positive this month.
- The portfolio's duration positioning in Developed Markets (DM) rates (EUR, USD) was negative as yields rose.
- The contribution to Emerging Markets (EM) Local rates was negative overall, with the main negative drivers being the exposure to Mexico, Brazil.
- The allocation to Investment Grade (preference for EUR over USD, bias to financials, focused on significantly important institutions) contributed positively given tighter spreads in the US and Europe.
- Within securitized assets, the allocation to ABS and RMBS was positive.
- There were no material changes in strategy during the month.

Market Review

- In April, developed market rates continued to rise as resilient growth data and upside inflation surprises led investors to reassess the outlook for monetary policy easing this year and next. In addition, long-dated forward yields rose, putting more pressure on long-dated bonds, suggesting the market is pricing in a higher terminal policy rate.
- In the U.S., markets have grown less optimistic on inflation dropping quickly enough to allow the Federal Reserve (Fed) to cut rates aggressively. March's Institute for Supply Management (ISM) Manufacturing PMI release was the first print over 50 since late 2022, while the subindex for prices paid remained stubbornly high.
- Markets were also spooked by a strong consumer price index (CPI) release, which was the third consecutive higher-than-expected core inflation reading and affirmed an upward trend in core services ex-shelter. In the euro area, data was mixed as inflation data was softer while PMIs remains strong, particularly in the peripheral economies like Greece and Spain.
- Monetary policy looks set to diverge across the Atlantic.
- The repricing of the Fed's policy path has been especially stark, with the market now pricing 28 basis points (bps) of cuts by end-2024, compared to over 160 bps at the start of the year. On the other hand, the European Central Bank (ECB) is increasingly committed to cut in June; although the pace of cuts after that is less certain, the market is still pricing 66 bps of cuts by year-end.
- By the end of 2026, the ECB is now priced to cut by 140 bps, while less than 100 bps is expected from the Fed. Cross-market, we see value in U.K. gilts, as the Bank of England (BoE) expectations have repriced more hawkishly, in line with the Fed, even though the U.K. economy is significantly weaker than the U.S. and inflation is dropping quickly.

Portfolio Commentary & Outlook

- Overall, the duration of the portfolio was reduced by 0.11 years, closing April at 3.03 years.
- Within Developed Markets rates (DM), we reduced duration in the US on hotter than expected inflation prints.
- Within Emerging Markets (EM) Local rates, we maintain exposure to Mexico, Indonesia, Brazil.
- Within credit, we maintain a long position in Investment Grade (IG) predominantly through financials and a preference for EUR relative to USD.
- Within securitized, we slightly increased exposure to agency and non-agency RMBS. Overall, we maintain a positive view to securitized credit given attractive carry and technicals.
- Regarding currency positioning, we have reduced our long EM FX, particularly Peruvian sol, Brazilian real.

During the month, European investment grade credit spreads closed tighter and marginally underperformed U.S. investment grade spreads. Credit market sentiment was driven by the increasing prospect, that a "no/soft landing" is the most likely economic backdrop that companies are operating against, further supported by central banks' lack of commitment to ease policy. Geopolitical tensions rose as the Middle East conflict intensified early in the month; however, Israel's limited response to Iran's telegraphed drone attack was viewed as a de-escalation of the situation.

Early first quarter corporate reporting continues to show limited signs of stress in business models, helped by management running low risk strategies. Meanwhile, corporate merger and acquisition (M&A) activity continues to be concentrated in sectors that benefited from COVID-19 and supply-side disruption.

The deals are not structured to significantly increase leverage, and as such are deemed as a positive sign for bondholders.

Performance in the U.S. and global high yield markets cooled in April amid higher sovereign yields in the U.S. and Europe and valuations in the lower-rated segment of the high yield market appropriately adjusting to reflect elevated credit risk. Performance by rating segment was mixed during the month, with the lowest quality segment generally underperforming.

Looking forward, our base case remains constructive for credit, supported by expectations of an economic soft landing, low-risk corporate strategies, accommodative fiscal policy and positive momentum. Considering current credit spreads valuation, we see a market that is fairly priced, and hence we see carry as an attractive return opportunity. But, given the uncertain medium-term fundamental backdrop, we have less confidence in expected spread tightening. Our outlook for the high yield market is somewhat cautious as we begin the second quarter. The high yield market is contending with several elements of uncertainty and the unique combination of historically attractive yields and an average spread that ranks near cycle lows.

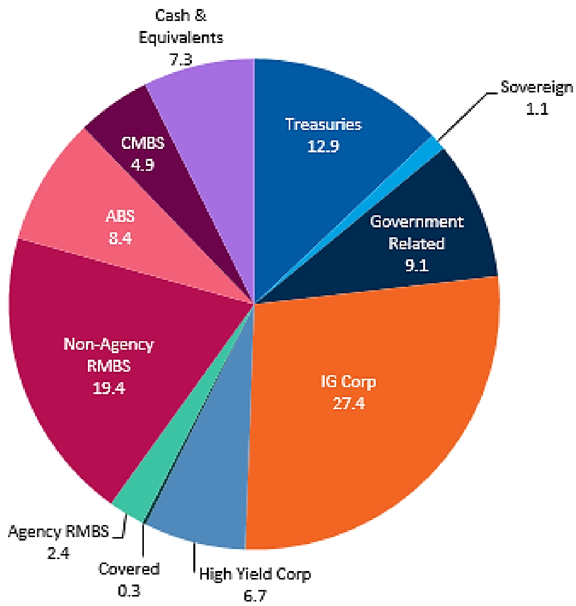
Securitised credit spreads continued to tighten in April as demand remained very strong, and new issue deals were consistently oversubscribed. U.S. agency mortgage-backed securities (MBS) spreads widened 14 bps in April to 153 bps above comparable duration U.S. Treasurys.

Securitised credit sectors have been among the best performing sectors in 2024, but performance should normalise in the coming months. We still believe that current interest rate levels remain stressful for many borrowers and will continue to erode household balance sheets, causing stress for some consumer asset-backed securities (ABS). Commercial real estate also remains challenged by current financing rates. Residential mortgage credit opportunities remain our preferred sector. Our view on agency MBS valuations has moved from neutral to positive.

April performance was negative for emerging markets (EM) debt, along with most bond markets. Most EM currencies sold off and sovereign spreads widened during the month. A few EM currency bright spots included the Chilean peso, which strengthened in reaction to a less aggressive rate cut by the central bank and a rally in copper prices, the country's largest export. The Turkish lira also rallied after a large rate hike at the end of March.

Emerging markets debt valuations remain compelling, and EM assets are cheap, in our view. Real yields in emerging markets are near 10-year highs and inflation continues to come down, leaving room for EM central banks to make additional rate cuts. Improving global growth outlooks, especially in emerging markets, should help provide support for EM assets even as U.S. yields may stay elevated for longer.

Portfolio sectoral positioning at 30 April 2024



Source: Morgan Stanley Investment Management 30 April 2024 report