Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – July 2023

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 Fund's investment objective is to outperform (after fees and expenses but before NZ tax) the total return of its benchmark, the FTSE Global Core Infrastructure 50/50 Net Tax Index on a rolling three-year basis. The Fund targets a portfolio of global infrastructure companies with sustainable total return potential and superior Environmental, Social and Governance (ESG) credentials and factor scores with respect to the benchmark index.

Fund Facts at 31 July 2023

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$48.19 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 July 2023

Application	0.9739
Redemption	0.9699

Investment Guidelines

The guidelines for the Sustainable Global Listed Infrastructure Fund are:

Global equities	95% – 100%
Cash	0% – 5%

Target investment Mix

The target investment mix for the Global Sustainable Listed Infrastructure Fund is:

Global equities	100%

Fund Allocation at 31 July 2023

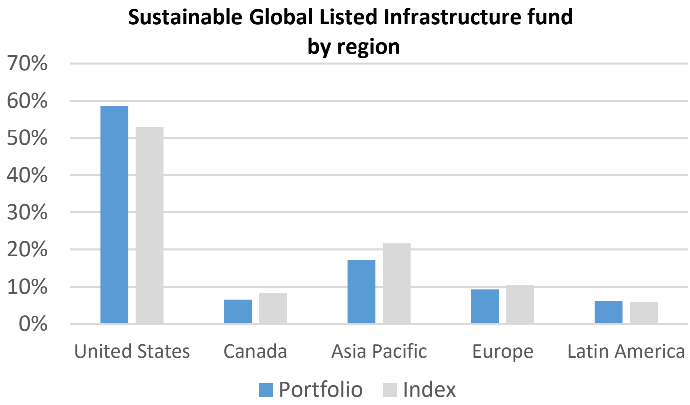
Global equities	97.75%
Cash and cash equivalents	2.25%

Fund Performance to 31 July 2023

Period	Fund Return*	Benchmark Return
1 month	0.96%	1.53%
3 month	-1.69%	-1.22%
6 month	-1.77%	-0.70%
Year to date	0.78%	0.85%
1 year	-5.64%	-5.41%
Since inception p.a.	1.28%	0.69%

*Performance is after fees and does not include imputation credits or PIE tax. Benchmark performance is gross. Past performance is not a guarantee of future results. Data as of 31 July 2023.

Fund regional weightings as at 31 July 2023*



Source: Cohen & Steers, Salt *data to 31 July 2023

Top 10 holdings	sector		sector
NextEra Energy	Electric	PPL	Electric
American Tower	Towers	SBA Communications	Towers
Sempra	Gas Dist.	Grupo Aeroportuario De Sur-B	Airports
Transurban	Toll Roads	CSX	Rail
Cheniere	Midstream	Exelon	Electric

The fund's top 10 holdings comprise 35.7% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 31 July 2023

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.7	6.4
MSCI ESG score	6.3	6.3

Source: Cohen & Steers Monthly Investment Report 30 June 2023

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Market Review

Listed infrastructure stocks edged higher in July but lagged the broad market. The key macro themes for the month included an eleventh rate increase by the Federal Reserve in the current cycle, the Bank of Japan slightly revising its yield curve control policy, and additional Chinese stimulus. Initial second quarter earnings reports from infrastructure companies were mixed. Aside from the communications group, listed infrastructure sectors posted positive returns for the month.

- Market sentiment remained positive in July as developed market headline inflation rates continued to retreat and activity data continued to prove resilient. This continues to support the contention that inflation can be tamed without harming activity.
- Global stocks performed well over the month. Developed market equities delivered a 3.4% return (in USD). Fixed income also recorded positive returns over the month.
- Data in the US supported hopes for a soft landing. The June CPI came in below expectations at 3.0% y/y, though core inflation remains sticky at 4.8% y/y. GDP growth surprised to the upside at 2.4% (q/q annualised), though the weakest part of the cycle is still yet to come. The Federal Reserve raised its key policy rate by 25bp to 5.25-5.50% during the month, with markets signaling this as the likely peak in rates.
- The European Central Bank likewise raised their key deposit rate 25bp, taking it to 3.75%. The messaging was dovish however, probably reflecting lower eurozone inflation and weakening activity data.
- Wage growth remains elevated in the UK with average earnings (ex-bonuses) rising 7.3% y/y. However, inflation came in lower than expected, driving a rally in Gilts. This is the first downside inflation surprise in a year. Markets have brought the expected peak policy rate down from 6.0% to 5.75%.
- Japanese inflation remained strong in June, with the Bank of Japan's preferred measure (CPI excluding fresh food and energy) rising to 4.2% y/y. Later in the month the BoJ further tweaked its Yield Curve Control policy by shifting from a rigid 0.5% upper limit on 10-year government bonds to a "reference point" of 1%.
- In China, June GDP data softened as expected, but the MSCI China Index is now back to a positive return year-to-date. This reflects some policy easing and likely, further stimulus to come.
- In Australia there is an ongoing battle between inflation that is slowing, but still too high, and the still tight labour market. The June quarter CPI came in below expectations at 6.0% y/y for the headline rate and 5.9% y/y for core (trimmed mean). The lower inflation data and softer activity growth saw the Reserve Bank of Australia pause on rate hikes at its July meeting, with markets at this stage still pricing in one more 25bp hike.
- New Zealand headline inflation came in at 6.0% y/y in the June quarter, down from 6.7% y/y in March. However, the more problematic non-tradeable measure came in at 6.6% y/y.

Portfolio Review

Listed infrastructure stocks posted a modest positive total return during the July month against a backdrop of rising interest rates and a still-cloudy economic outlook. The US Federal Reserve lifted interest rates in late July. The 10-year U.S. Treasury note yield moved higher on resilient U.S. economic data, however, the need for additional rate hikes now appears to be minimal in that jurisdiction, as inflation is cooling. Meanwhile, China continued to report weak economic data.

Commercial infrastructure sectors performed well. Railways (3.9% total return) benefited as July freight volume declines moderated, which offset muted second quarter updates. Marine ports (3.1%) largely rallied, in part driven by strong second quarter earnings from a Dutch port operator, one of the largest constituents in the sector.

Midstream energy (1.4%) was led by U.S.-based companies; they outperformed their Canadian counterparts given a surprising rate increase from the Bank of Canada and a disappointing asset sale from a large constituent.

Utilities posted positive returns, but communications struggled. The gas distribution sector (2.2%) rose after a fairly-weak start to the year. Electric utilities (1.9%) had mixed returns, driven by company-specific regulatory outcomes and earnings. Within water utilities (2.9%), U.K.-based companies benefited from signs of moderating inflation.

Communications (–2.9%) was dragged down by a Wall Street Journal investigation that revealed that several U.S. mobile telephone services providers own extensive and potentially dangerous lead-covered cables. Although U.S. tower companies do not own lead equipment, the investigation triggered concern about the health of the services providers (tower tenants). Consternation over this issue was partly mitigated when the providers released new disclosures disputing some of the conclusions in the investigation.

Passenger transportation-related sectors were mixed. Within toll roads (0.8%), shares of an Australia-based company were aided by its defensive characteristics, whereas shares of a Brazil-based company were weak on profit-taking after a strong start to the year. Airports were flat amidst mixed earnings updates. However, toll roads and airports remain the top-performing sectors thus far in 2023.

Portfolio performance

Key contributors

• Security selection in midstream energy (1.4% total return in the index): An overweight position in U.S.-based Targa Resources contributed to performance; its shares rallied as the company is positioned to benefit from continued growth in the Permian Basin.

• Out-of-index investment in environmental services: A position in Australia-based Cleanaway Waste Management contributed; its shares rebounded after weak performance in June.

• Out-of-index allocation in transport logistics: A position in Qube Holdings contributed; its shares advanced after lagging in the first half of the year.

Key detractors

• Stock selection in railways (3.9%): An overweight in U.S.-based CSX detracted from performance. The company lowered guidance as it expects freight volume headwinds in the second half of the year.

• Security selection in electric utilities (1.9%): An out-of-index position in global offshore wind developer Orsted detracted from performance, amid concerns over their offshore wind projects in the U.S.

• Overweight allocation in communications (–2.9%): The sector overweight negatively impacted performance. U.S. cell tower operators declined on concern over environmental liabilities for several U.S. mobile telephone services providers (tower tenants).

Investment Outlook (Cohen & Steers commentary)

We maintain a generally balanced portfolio given moderating, but still elevated inflation, the impact from central bank monetary tightening, and pockets of weakness in the global economy. We continue to favour higher-quality businesses that we believe are positioned to perform relatively well in a below-trend growth environment.

We are also focused on the potential capital needs of individual companies to shore up their balance sheets. In particular, we are mindful of companies leaning toward asset sales, as the proceeds may fall short of their expectations.

We expect to see a more challenging credit environment. We are carefully monitoring the impact of higher financing costs and tighter financial conditions (including their potential impact on earnings and cash flows) across the infrastructure universe. We favour investments in infrastructure companies that have strong balance sheets, with limited near-term maturities and manageable refinancing schedules.

Persistent inflation and “higher for longer” interest rates may challenge certain sectors. While inflation is expected to moderate, the Fed has made clear its commitment to bring down sticky inflation with further monetary tightening. Most infrastructure businesses can generally pass rising costs along to consumers; as a result, they have tended to perform well during periods of persistent inflation.

Greg Fleming, MA