Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – July 2022

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 2022

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$56.64 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 July 2022

Application	1.0665
Redemption	1.0622

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 2022

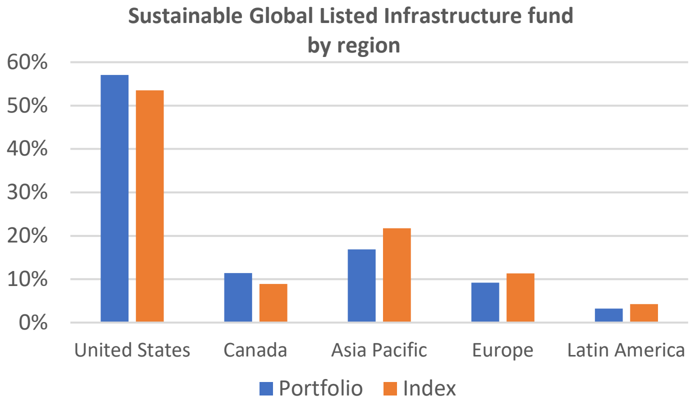
Global equities	97.8%
Cash and FX forwards	2.2%

Fund Performance to 31 July 2022

Period	Fund Return*	Benchmark Return
1 month	4.82%	4.76%
3 month	2.40%	1.37%
6 month	5.94%	5.37%
Since inception	8.63%	7.12%

*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 2022.

Fund regional weightings as at 31 July 2022*



Source: Cohen & Steers, Salt *data to 31 July 2022

Top 10 holdings	
NextEra Energy	Norfolk Southern Rail
American Tower	CenterPoint Energy
Transurban	American Electric Power
Sempra Energy	SBA Communications
Enbridge	Wisconsin Energy Corp

The fund's top 10 holdings comprise 39.2% of the portfolio

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.5	6.4
MSCI ESG score	6.3	6.3

Source: Cohen & Steers Quarterly Investment Report, 30.6.2022

Market Review

After the significant market weakness experienced in both equities and bonds in the first half of 2022, July saw stabilising investor sentiment and moderate rebounds in most key asset classes. Equities and Real Assets were particularly strong over the month, reflecting a shift down in longer-term interest rates on fears of a period of imminent economic weakness.

Global listed infrastructure has continued to perform more strongly, given its inherent inflation protection and defensive characteristics.

- July month saw further evidence of the slowdown in global economic growth, while at the same time, inflation continued to reach new highs. Labour markets remained strong, a good sign for activity growth, though strong wage growth points to ongoing core inflation pressure.
- A weaker growth outlook has contributed to suggestions of a pivot to the less hawkish by central banks, particularly in the US. This contributed to a "risk on" tone in both equity and bond markets, which is premature in our view.
- In the US the Federal Reserve raised interest rates by 75 basis points (bp) for the second time, taking the Fed funds rate to 2.5%, or around the Committee's estimate of the long run (neutral) rate. US GDP printed negative for the second consecutive quarter, meeting the definition of a technical recession. The National Bureau of Economic Research (the US cycle dating agency) is unlikely to confirm this as an economic recession given the narrowness of the weakness and the ongoing strength in the labour market.
- A similar set of circumstances prevailed in Europe during the month as the European Central Bank began its interest rate hiking cycle with a larger than expected hike of 50bp. The ECB also approved the Transmission Protection Instrument (TPI), a tool aimed at supporting orderly conditions across Eurozone government bond markets, in particular the region's peripheral markets such as Italy and Spain. At the same time, the economy remains on the brink of recession given concerns about the security of gas supplies from Russia. The Nordstream1 pipeline restarted following scheduled maintenance at 35% capacity, though this was later cut back to 20%.
- Activity data was more upbeat in China over the month though the authorities continue to grapple with current Omicron outbreak amidst its still stringent Covid-zero policy. While there have been minor steps to ease restrictions, a more fulsome relaxation is unlikely until after the upcoming Communist Party National Congress.
- The Reserve Bank of Australia continued its aggressive rate hikes with a further 50bp hike in July, with expectations of ongoing hikes of this magnitude.
- Inflation in New Zealand hit a fresh high of 7.3% in the year to June, higher than market and Reserve Bank expectations. All key core measure of inflation pushed higher also, confirming the Reserve Bank of New Zealand still has work to do, especially considering the tightness in the labour market.

Portfolio Review

In the July month, the Fund had a total return of 4.82% (after fees,) which matched its benchmark. July month's asset price rebound erased the weak June month's return. For the three-month period to 31 July, the Fund gained 2.4%, outperforming its benchmark by 1.03% after fees. For the year-to-date, the Fund had a total return of 3.46%, outperforming its benchmark by 0.95%. Since inception on 18 August 2021, the Fund has returned 8.63% after fees, 1.5% ahead of the benchmark's gross return of 2.25%.

Listed infrastructure securities advanced in July but lagged the broad equity market due to the sharp rebound in growth stocks, as longer interest rates fell back. Investors weighed the possibility that central banks may moderate the pace of rate increases if inflation peaks in late 2022 or early 2023. Global bond interest rates therefore retrenched lower, catalysing a rally in equity prices. The market's ascent was broad based and most listed infrastructure subsectors posted positive returns.

Following weak returns in the second quarter, commercial sectors rallied sharply in July. The railways sector (8.8% total return) was the top performer; second quarter earnings thus far have generally been strong, easing concerns over freight volumes. Midstream energy (7.0%) advanced; US natural gas prices rebounded and, while oil prices moderated slightly, they remained elevated. Marine ports (5.7%) rallied on hopes for stronger volumes. Communications (6.7%) outperformed, partially buoyed by falling interest rates.

Several U.S. tower companies reported earnings that exceeded expectations, and lower bond yields provided broader support. Traditionally defensive utilities sectors were also supported by lower US interest rates. Water utilities (6.4%) were led by US-based high growth companies and were aided by a supportive municipal M&A environment. Electric utilities (4.9%) outperformed; certain companies with renewables exposure were supported by positive developments related to the **Inflation Reduction Act** THe Act would accelerate renewable development by providing substantial subsidies.

Gas distribution (3.6%) added to its strong year-to-date performance. Some transportation-related sectors trailed in July. Airports (1.1%) lagged due to high energy prices, as well as Asian Covid restrictions and, to a lesser extent, the impact from the war in Ukraine—all of which could temper air passenger volumes.

Key contributors

• Stock selection in midstream energy (7.0% total return in the index): An overweight position in Targa Resources, a Texas-based natural gas and LNG distributor, contributed to performance. The company's shares rallied after the market digested an accretive acquisition.

• Stock selection in electric utilities (4.9%): An overweight in NextEra Energy, the world's largest renewable energy provider, was beneficial. The company reported strong earnings, with rising renewable demand, and would also likely benefit from the passage of the **Inflation Reduction Act**.

Key detractors

• Stock selection in toll roads (0.2%): An out-of-index position in a Chinese toll road company detracted from performance. Its shares were hindered by concerns that the country's Zero-Covid policy would temper travel volumes.

• Stock selection in railways (8.8%): Our out-of-index allocation to passenger carrier West Japan Railway underperformed with a slight decline in the period.

Portfolio Outlook (Cohen & Steers commentary)

We maintain a balanced portfolio amid elevated inflation, central bank tightening and economic uncertainties. On the margin, we added several high-quality companies that we believe have solid growth potential in a weaker economic environment and have lagged year-to-date (principally by reducing our freight rail underweight). Among the portfolio's more defensive allocations, we remain overweight communications infrastructure and waste management, and we remain underweight utilities.

While higher interest rates and inflation may impact certain subsectors in the near term, infrastructure returns have historically shown positive sensitivity in an inflationary environment. We continue to closely monitor inflation and interest rates, which are important drivers of asset allocation decisions as the year progresses.

Performance dispersion among infrastructure subsectors can be significant in challenging economic periods and amid rising bond yields. Most infrastructure businesses can generally pass rising costs along to consumers and, as a result, they have tended to perform well during periods of unexpected inflation.

We expect private investor interest in acquiring listed infrastructure assets to continue. Several significant transactions were recently announced or are pending across various subsectors and geographies. Although the pace of transactions may moderate, given some economic uncertainty, we generally expect this trend to continue, which may support listed infrastructure valuations.

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Greg Fleming, MA