Salt Sustainable Global Listed Property Fund Fact Sheet – August 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 EPRA Nareit Developed Real Estate Index Hedged in NZD on a rolling three-year basis. The Fund targets a portfolio of global listed real estate 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 August 2022

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$30.11 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 August 2022

Application	0.8915
Redemption	0.8878

Investment Guidelines

The guidelines for the Sustainable Global Listed Property Fund are:

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

Target Investment Mix

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

Global equities	100%

Fund Allocation at 31 August 2022

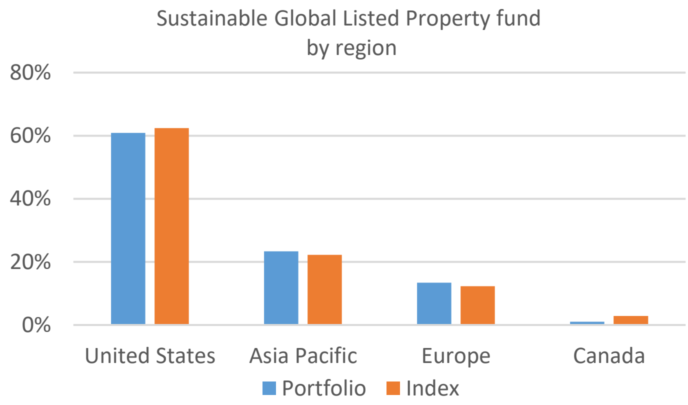
Global equities	98.8%
Cash and FX forwards	1.2%

Fund Performance to 31 August 2022

Period	Fund Return*	Benchmark Return
1 month	-5.40%	-5.68%
3 months	-5.13%	-6.19%
6 months	-9.00%	-9.93%
Since inception	-9.67%	-11.69%

*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 August 2022.

Fund regional weightings as at 31 August 2022*



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

Top 10 holdings at 31.08.22	
Prologis	Welltower
Public Storage	Simon Property Group
Invitation Homes	Duke Realty Corp
Digital Realty Trust	UDR
Realty Income Corp	Extra Space Storage

The fund's top 10 holdings comprise 3.93% of the portfolio

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.2	5.8
MSCI ESG score	5.8	5.7

Source: Cohen & Steers Quarterly Investment Report, 30 June 2022

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Market Review

After the significant market weakness experienced in both equities and bonds so far this year, which had paused in July month, August saw a resumption of nervousness across most key asset classes. Global interest rates erased most of their July rally, negatively impacting bond markets. Global listed property has continued to react negatively to a higher bond yield environment, however the sector remains attractive at now-improved valuations, given its inherent inflation protection and defensive characteristics.

- After a brief respite in July, equity and bond markets were rattled again in August as central banks renewed their respective commitments to bring inflation under control, despite the growing risks to the outlook for economic activity.

- The level of nervousness about the outlook for global growth remains high. This is especially the case in Europe as concern over the security of energy supplies intensifies on the back of the ongoing conflict in Ukraine.

- In the United States GDP June quarter data recorded a second consecutive quarterly decline, meeting the definition of a technical recession. However, given the narrowness of the weakness and the strength of other data, particularly the labour market, this is unlikely to be classified as an economic recession.

- US headline inflation appears to be past its peak; however, core inflation will remain more difficult to get under control, especially as the labour market remains strong. This saw Federal Reserve Chair Powell deliver a hawkish commentary at the monetary policy symposium in Jackson Hole, keeping alive the prospect of ongoing interest rate hikes by the FOMC, including the possibility of a third consecutive 75bp hike at its September meeting.

- Eurozone second-quarter GDP surprised on the upside but revealed marked divergences in performance amongst member states. Several countries (Spain, Italy) continue to benefit from the post-Covid bounce in services activity while Germany, heavily reliant on gas imports from Russia, stalled.

- In China, the domestic economy continues to struggle as ongoing Covid disruptions have morphed into disruptive weather events. July activity data was weak, with the service sector also losing momentum over the month. The People's Bank of China eased monetary conditions further and the State Council announced new fiscal stimulus measures.

- The unemployment rate in Australia dropped sharply, to 3.5%. This helps justify the Reserve Bank of Australia's early September interest rate hike of 0.5% to 2.35% - the highest since 2014.

- Headline Consumer Price Index inflation for the second quarter in Australia rose by 6.1% y/y while the core rate came in at 4.6%. The Reserve Bank of Australia hiked a further 50bp in August, signalling more to come.

- Inflation in New Zealand hit a fresh high of 7.3% in the year to June, higher than market and Reserve Bank expectations. The Reserve Bank of New Zealand still has work to do, especially considering the tightness in the labour market.

Portfolio Review

Real Estate securities were hard-hit by surging bond yields and monetary policy around the world moving steadfastly into tightening mode. This is typical of listed property performance in the first period of phases of monetary policy restrictiveness. However, the asset class benefits from a more balanced medium-term view on interest rate and inflation

In August month, the portfolio had a gross return of -5.3%, which compared with a total return of -5.7% for its benchmark. For the 2022 year-to-date, the portfolio had a total return of -15.7%, compared with a fall of -17.0% for its gross benchmark.

From its 16 September 2021 inception through to 31 August 2022, the portfolio had a total return of -9.67% (after fees) and outperformed its gross benchmark index by 2.02%.

Portfolio Review (Cohen & Steers commentary)

Global real estate securities sold down in August, following a rebound in July. Economic data released in the month were better than expected in many countries, which once again put interest rate concerns on display.

At the US Federal Reserve's annual Jackson Hole symposium, central bankers (including representatives of the Fed, the European Central Bank, the Bank of England and the Swiss National Bank) reiterated a commitment to forcefully fight inflation, while acknowledging that this could cause some pain to economies. These comments challenged the market's July interpretation that the central bankers would enact a less aggressive rate approach to achieve a soft landing. Though it is still "business as usual" in some countries, most economies are expected to slow further into 2023 as the full effect of rate hikes takes hold. In the **US** (-6.2% total return), real estate securities declined across most sectors as the Fed's comments on slowing economic growth weighed on share prices. In our view, these comments align with expectations priced into real estate stocks over the course of this year. Among the outperformers were some of the shorter-lease duration sectors, including self-storage and hotel REITs. Industrial landlords traded in line on the heels of a solid second-quarter reporting season.

Performance in the retail sector was mixed. Shopping centres modestly outperformed, with positive leasing trends and strong occupancy reported in recent earnings results. Despite the challenging macro environment, retail tenants appear to be pushing ahead with new store openings, which we view as incrementally positive for retail-oriented REITs. In contrast, free standing property owners trailed on rising interest rates and news of a potential cinema company bankruptcy. Health care REITs underperformed on continued labour challenges. Office landlords, weighed down in part by a deceleration in office-using job growth, also lagged.

Europe trailed, pressured by higher inflation and interest rates. Switzerland (-2.5%) was seen as a safe haven amid heightened concerns about risk. The Netherlands (-6.6%), dominated within the index by retail property companies, outperformed its regional peers as retail fundamentals continued to improve. Belgium (-7.9%) was pressured by declines among industrial and diversified property types. In France (-8.2%), office property owners weighed on performance.

The UK (-10.2%) lagged on a broad-based upside surprise in inflation, with concerns around high energy costs heading into the winter heating season. Sweden (-8.2%) and Germany (-14.8%) lagged on renewed interest rate concerns. For German residential companies, there were also some concerns that while apartment vacancies remain low, high energy costs might pressure tenants' finances.

Asia Pacific, which faces less inflation pressure than other regions, outperformed. In Japan (-0.6%), large-cap office and mid-cap diversified names generally outperformed, while developers underperformed amid profit-taking following earlier outperformance. Hospitality-oriented property types fared well on rising expectations that the country will reopen its borders to allow visa-free travel. In Singapore (-3.0%), where the economy has continued to normalize since the relaxation of mobility restrictions earlier in the year, office REITs outperformed while logistics and data centres trailed.

In Hong Kong (-3.3%), developers outperformed as primary residential sales remained strong, particularly among larger capitalization names. Hong Kong landlords were mixed. In **Australia** (-3.8%), the Reserve Bank hiked its official cash rate 50 basis points, which led to profit-taking amid the rise in bond yields following a strong performance in July.

Key contributors

• Stock selection in the US (-6.2% total return in the index): The portfolio's overweight positions in self-storage specialists Extra Space Storage and Public Storage, both of which beat earnings expectations, contributed.

• Selection in Japan (-0.6%): Overweight allocations in Japan Metropolitan Fund Investment and Nomura Real Estate Holdings contributed. The latter benefited from the market's reassessment of its growth trajectory following a strong earnings result

• Selection Australia (-3.8%): An out-of-index position in property fund manager Charter Hall Group, which reported strong full-year 2022 results, contributed. The company's initial 2023 outlook was also higher than expected, suggesting further earnings upgrades to come.

Key detractors

• Selection in Germany (-14.8%): An overweight position in residential specialist Vonovia declined amid uncertainty around underlying values as it prepared for asset disposals.

• Selection in Spain (-7.1%): An out-of-index position in tower infrastructure specialist Cellnex Telecom detracted amid elevated inflation expectations and rising rates.

Investment Outlook (Cohen & Steers commentary)

We believe global real estate, which has seen improved valuations with the recent correction in share prices, offers attractive return potential relative to broad equities. Slowing economic growth and high inflation temper the near-term outlook for real estate, particularly for sectors lacking pricing power. However, cash flows generally remain sound, and we anticipate healthy earnings growth this year and next. Moreover, real estate companies typically have high operating margins, low sensitivity to commodity and labour prices, and (in many cases) inflation-linked rents, making them better suited than traditional asset categories to defend against a prolonged environment of high inflation.

We maintain a positive view of US. REITs, with a preference for assets with shorter lease durations and strong pricing power. We favour self-storage, which should continue to have good pricing power given occupancy rates well above historical levels. Within health care, we have a positive outlook on senior housing, where occupancies are improving following early-pandemic declines. We see the residential sector benefiting from insufficient supply and home affordability issues in the for-sale market, which are leading to higher demand for rental housing, especially within single family homes.

Companies that provide data and logistics infrastructure, including data centres and industrial warehouses, should continue to benefit from strong secular demand in the shift toward a digital economy, in our opinion, though valuations for some companies are elevated.

While we believe secular headwinds remain for retail, we think certain retail landlords with high-quality properties and strong balance sheets stand to gain market share over time. However, we are mindful of the impact of elevated inflation on the US consumer. We remain cautious toward offices as businesses reassess their future needs, although we have an allocation within the US Sunbelt, which we favour over coastal locations.

European real estate securities, which have lagged the recovery of their US peers, offer attractive upside potential. The risk to growth is a concern, especially as the costs associated with Europe's energy transition away from Russian supplies are likely to be inflationary. The portfolio remains balanced between growth and value themes as well as defensive businesses. Our current positioning is differentiated more by property sector and individual security than by

country, based on the common drivers impacting property types across the region. We prefer assets with shorter lease durations and strong pricing power, which should benefit from an environment of rising prices. We like logistics, health care and self-storage, which tend to be more defensive and have structural growth characteristics. We like continental retail and see value in London offices, but we are cautious about offices in some other markets, as the demand outlook remains uncertain and, in many cases, current valuations do not adequately compensate investors for the perceived risk.

Near-term Covid risk in Asia Pacific is somewhat mitigated by China's supportive policy stance. Within Australia, we favour property sectors that are relatively insulated from the encroachment of e-commerce activity. In Singapore, we are positive on underlying fundamentals for hospitals, and we are constructive on the medium-term outlook for offices given the prospect of potential corporate relocations within Asia Pacific. In Japan, we have taken advantage of developer strength to move our overweight position to neutral on expectations for a global slowdown. Within Hong Kong, we are overweight domestic non-discretionary retail landlords.

Greg Fleming, MA