Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – February 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 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 29 February 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$47.11 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 29 February 2024

Application	0.9466
Redemption	0.9428

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 29 February 2024

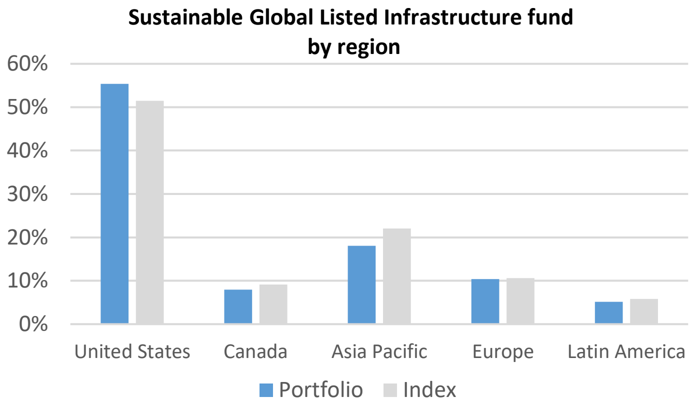
Global equities	97.22%
Cash, Short term, Sundry	2.78%

Fund Performance to 29 February 2024

Period	Fund Return*	Benchmark Return
1 month	2.11%	1.08%
3 month	3.49%	2.76%
6 month	4.80%	3.73%
1 year	2.34%	2.23%
2 years p.a.	1.37%	-0.32%
Since inception p.a.	2.12%	0.11%

*Performance is before fees and PIE tax and adjusted for imputation credits. Benchmark performance is gross. Past performance is not a guarantee of future results. Data as of 29 February 2024.

Fund regional weightings as at 29 February 2024*



Source: Cohen & Steers, Salt *data to 29 February 2024

Top 10 holdings	sector		sector
American Tower	Towers	PG & E	Electric
TC Energy	Midstream	Norfolk Southern	Freight Rails
NiSource	Gas Distribution	Cheniere Energy	Midstream
PPL	Electric	NextEra Energy	Electric
Transurban	Toll Roads	Public Service Enterprise Group	Electric

The fund's top 10 holdings comprise 36.1% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 29 February 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.55	6.38
MSCI ESG score	6.37	6.28

Source: Cohen & Steers Investment Report February 2024

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Market Review

Listed infrastructure stocks slipped back in January, following strong returns in November and December, as interest-rate sensitive assets responded to an increase in bond yields as investors became more realistic about interest rate cuts from central banks.

The Fund performed below the Index for January month, lagging by -0.26%. For the three months to January, the fund lagged its benchmark by -0.83%. The fund was in line with its benchmark over the last six months. However, over the last two years, the fund has remained comfortably ahead of its benchmark. For the two-year period to January, the Fund gained 0.04% per annum (gross) compared to the -1.22% p.a. benchmark Index decline.

- February was a good month for equity market returns, reflecting generally resilient economic data and solid earnings reports, especially in the United States. Developed market equities rose 4.3% over the month (in USD). It was not such a good month for fixed income markets as the stronger data saw an ongoing pullback in interest rate reduction expectations, both in terms of quantum and timing. The global aggregate index was down -1.3% (in USD) over the month.
- Economic data was strong in the US. The US composite Purchasing Managers Index (PMI) remained in expansion territory in February, and the economy added 353,000 jobs in January. The unemployment rate has now remained unchanged for 3-months at 3.7%. Stronger than expected outcomes for both the CPI and PPI led to expectations of a strong core PCE result after 3-months of more muted increases.
- In Europe, the composite PMI rose more than expected to 48.9 in February. That is still in contraction but suggests the worst of the downturn may be over. January inflation came in at 2.8%, still above the ECB's 2% target. Expectations for a first interest rate cut from the ECB next quarter have grown stronger recently, however, interest rate markets scaled back their bets on the magnitude of cuts this year after the PMI result.
- In Japan, the Topix saw another healthy rise of 4.9% over the month. That was despite a weaker-than-expected GDP print for the December quarter of -0.1%, placing the economy in a technical recession. It should be noted that the economy's reopening drove strong GDP growth in the first half of the year, so Japan's average annual growth for 2023 was strong both on a real basis (+1.9%) and on a nominal basis (+5.7%).
- The Chinese share market had a better month in February. Activity data over the Lunar New Year resulted in stronger economic activity while the authorities announced several stimulus measures, including a larger than expected cut to the 5-year loan prime rate. Speculation was also building through the month about the likelihood of some form of fiscal measures to be announced at the National People's Congress in early March.
- The Reserve Bank of Australia kept rates on hold in February and softened its tightening bias, but by less than expected. While risks are viewed as balanced, there is still concern about resilient inflation, especially services, which is contributing to cautious guidance. We think the RBA will be one of the last central banks to start cutting interest rates.
- In New Zealand, December quarter labour market was not as soft as expected. The unemployment rate rose from 3.9% to 4.0% over the quarter, but this was less than the 4.2% forecast by the RBNZ. This saw a significant change in market expectations of the next move in interest rates from a cut to further hikes. In the end, sense prevailed and the RBNZ left interest rates unchanged at the February Monetary Policy Statement. They also flagged less probability of future hikes.

Portfolio Review

Equities extended their January gains, with several key indexes setting new record highs during February. Corporate earnings were generally upbeat. Interest rates rose, however, as the expectation for rate cuts moved out to mid-year.

Similarly to January, listed infrastructure was hampered by weak performance from certain rate-sensitive subsectors. Marine ports, railways, midstream energy and toll roads posted positive returns, while utilities and communications lagged.

Commercial infrastructure sectors outperformed on a healthy growth outlook. Marine ports (9.1% total return) posted the most significant gain for the month. Port operators benefited from strong container volumes and optimism about the strength of the economy and global growth prospects. Railways (4.6%) were also strong, in part due to an activist investor initiating a proxy contest at one of the largest U.S. freight rail operators.

Midstream energy (2.0%) outperformed the broader infrastructure segment as well. Within the subsector, however, there was distinct return dispersion where oil-focused operators delivered more robust financial guidance than gas-focused peers.

Passenger transportation–related sectors also did well on improved macro expectations. Airports (2.0%) outperformed overall, driven by stock-specific factors. Notably, Chinese airport operators rallied from a pullback last month, and certain European operators benefited from a faster-than-expected recovery in post-pandemic passenger numbers.

Within toll roads (1.7%), performance was mixed. The negative effect of underperformance by the sector's largest index constituent—an Australia-based company hampered by higher interest rates—was outweighed by China-based stocks that rose amid increasing traffic and continued hopes for fiscal stimulus.

Regulated utilities and communications lagged as the prospect of lower interest rates was delayed. Elevated interest rates continued to weigh on regulated utilities; water utilities (–2.9%), gas distribution (–1.0%) and electric utilities (–0.4%) all underperformed. This also negatively affected the outlooks of communications companies (–0.4%).

Portfolio performance in February 2024

Key contributors

• Stock selection in midstream energy (2.0%): An overweight in U.S.-based midstream infrastructure firm Targa Resources aided relative performance. Shares surged after Targa announced that its full-year profits came in above expectations on increasing demand and higher energy prices.

• Stock selection in marine ports (9.1%): An overweight position in International Container Terminal Services contributed as shares rose materially on an improved outlook for growth in India.

• Stock selection in gas distribution (–1.0%): An overweight position in Hong Kong-listed Chinese gas utility ENN Energy Holdings was beneficial. Shares rose double-digits on heighten expectations for an improved outlook for the Chinese property market and new customer gas connections driven in part by the reduced reserve requirements for banks and other economic stimulus programs.

Key detractors

• Out-of-index position in transport logistics: A position in Australia-based Qube Logistics was detrimental. Qube reported mixed first-half results.

• An underweight position in toll roads (1.7%): Lack of exposure to several Asian expressway operators that benefited from increasing traffic in the region and optimism around the potential for government stimulus detracted from relative performance.

Investment Outlook (Cohen & Steers commentary)

Despite recent economic strength, we maintain our preference for higher-quality businesses that we believe can perform relatively well in a below-trend growth environment. We are also focused on the potential capital needs of individual companies to strengthen their balance sheets.

We believe the credit environment will remain challenging. Although interest rates moved lower in late 2023, our longer-term views remain unchanged. We continue to closely monitor the impact of higher financing costs and tighter financial conditions (including their potential impact on earnings and cash flows) across the infrastructure universe.

We remain focused on 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 be a headwind for certain sectors. However, most infrastructure businesses can generally pass rising costs along to consumers; as a result, they have tended to perform well during periods of above-average inflation.