Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – November 2021

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 30 November 2021

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$51.18 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 November 2021

Application	0.9998
Redemption	0.9957

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 30 November 2021

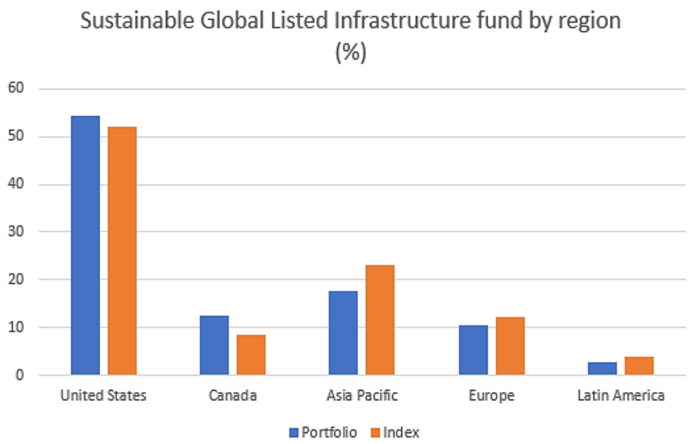
Global equities	99.00%
Cash	1.00%

Fund Performance to 30 November 2021

Period	Fund Return*	Benchmark Return
1 month	-1.34%	-2.15%
Since inception	-0.96%	-1.99%

*Performance is after fees and does not include imputation credits or PIE tax.

Fund regional weightings as at 30 November 2021*



Source: Cohen & Steers, Salt *data to 30 November 2021

Top 10 holdings	
NextEra Energy	Transurban Group
American Tower	Cheniere Energy
Norfolk Southern	Duke Energy
Canadian National Railway	Public Service Enterprise
Enbridge	American Electric Power Co.

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.5	6.3
MSCI ESG score	6.0	5.9

Source: Cohen & Steers Quarterly Investment Report, Q3 2021

Market Review

Global equity markets declined in November, after a robust rise in October, as the new Covid-19 variant, Omicron, emerged and put a damper on recovering investor sentiment worldwide. Developed market equities started the month well, until the news flow shifted to rising Covid hospitalisations in Europe. New economic and social restrictions varied from country-to-country and were largely dependent on hospitalisiation rates. Some countries reimposed work from home (Germany and Belgium) while others opted for a return to full lockdown (Austria). More will be learnt about Omicron in coming weeks, with key questions being the severity of symptoms, the efficacy of the current vaccine options and the hospitalisation and mortality rates.

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Listed infrastructure declined in November as the new omicron variant negatively impacted investor sentiment. While the remaining third-quarter corporate earnings reports released in the month largely exceeded expectations, they were overshadowed late in November by uncertainties related to omicron. Most listed infrastructure subsectors generated negative returns during the month.

Defensive sectors outperformed given the increased economic uncertainties. Water companies (1.2%) and toll roads (0.9%) were among a small handful of sectors to generate positive returns during the month. Electric utilities (-0.7%) were likewise a relative outperformer, as they also benefited from falling interest rates.

Marine ports (0.1%) were largely unchanged despite continued supply chain constraints and port bottlenecks. We continue to believe the sector will ultimately benefit from improving global trade activity, and today's Covid headwinds will result in an elongated cycle for these businesses.

Economically sensitive sectors underperformed given the potential for slower global growth. Midstream energy (-5.5%) was among the worst performers; the price of crude oil fell sharply on the potential for further Covid-driven demand destruction, which would negatively impact throughput volumes. Gas distribution (-2.6%) underperformed as natural gas prices also experienced a severe drawdown. Communications (-3.0%) also lagged despite no meaningful change to fundamentals.

Transportation-related sectors were pulled down by renewed travel restrictions and the potential for lower volumes due to lockdowns. The airport sector (-5.8%) was the worst performer during the month, as travel restrictions in several countries were quickly introduced on news of the Covid variant spread. Railways (-3.3%) also retreated given lowered expectations for volumes.

Portfolio Review (Cohen & Steers commentary)

For October, the fund declined by -1.34 which a good outperformance of the gross index return of -2.15% for the period. The fund outperformed its gross benchmark by 1.0% since its inception.

Key contributors

• Security selection in gas distribution (-2.6%): An overweight to an Asian gas distribution company was rewarded. Its shares rallied after a recent selloff; the company reiterated its guidance, alleviating growth concerns. A lack of exposure to a Chinese gas distribution company was also beneficial. The company is reducing capital expenditures (and growth expectations) in favour of increased spending on safety measures following explosions at several of its assets in recent months.

• Stock selection in marine ports (0.1%): An overweight position in a Brazilian logistics company was positive for performance. After several months of weak returns—driven by a downturn in the overall market in Brazil—its shares rallied sharply in November.

• Security selection in midstream energy (-5.5%): An overweight to a US-based liquefied natural gas company was beneficial. Its shares rallied as the company announced the signing of several long-term contracts with foreign buyers. An underweight in a Canadian midstream company was also beneficial. Its shares declined as the company reduced its dividend growth forecast in favour of preserving capital for investment programs.

Key detractors

• Stock selection in railways (-3.3%): Our positioning in US-based freight railways detracted from relative performance. This included an out-of-index position in one company that declined due to concerns over deterioration of service metrics.

• Underweight allocation and stock selection in toll roads (0.9%): The portfolio did not own a Brazil-based company that rebounded following a broad selloff in that country.

• Underweight in electric utilities (-0.7%): An underweight to the largest sector in the index negatively impacted returns, as it was a relative outperformer during the month. In particular, a lack of exposure to several U.S.-based companies detracted as they posted positive returns in November.

Portfolio Outlook (Cohen & Steers commentary)

We maintain a balanced portfolio, with a close eye on the omicron variant and its potential impact on global economic activity. We have a cyclical bias but have modestly pared this exposure for more defensive names. The new variant demonstrates that risks remain due to rising virus cases globally, differing travel restrictions and reopening policies, inflationary pressures, and supply chain challenges.

Within the portfolio's **more defensive allocations**, we remain overweight communications infrastructure, matched with an underweight in global utilities. Among transport-related infrastructure, we prefer North American freight railways based on our expectations for improving freight volumes.

We remain **underweight airports**, but we still see some attractive opportunities given the view that vaccine distribution success will drive a sustainable increase in air travel over the next six to twelve months. Listed infrastructure appears attractively priced relative to broader equities. On a cash flow multiple basis, listed infrastructure currently trades roughly in line with global equities—in sharp contrast to the asset class's historical premium valuation. This mispricing occurs at a time, we believe, when infrastructure is strongly positioned to benefit from a vaccine-driven economic recovery.

While higher interest rates and inflation may impact certain subsectors in the near term, infrastructure returns have historically shown positive beta to unexpected inflation. As the global economy continues to improve—albeit at a moderating pace—we are keeping a close eye on inflation and interest rates. Performance dispersion among subsectors can be significant in periods of economic recovery and rising bond yields. However, 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 believe a strong trend of private investor interest in acquiring listed infrastructure assets will continue. A flurry of activity has occurred this year, with a number of significant deals currently pending across various subsectors and geographies. We expect to see this trend continue going forward into 2022.

Greg Fleming, MA