Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – September 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 September 2021

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$19.28 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 September 2021

Application	0.9823
Redemption	0.9782

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 September 2021

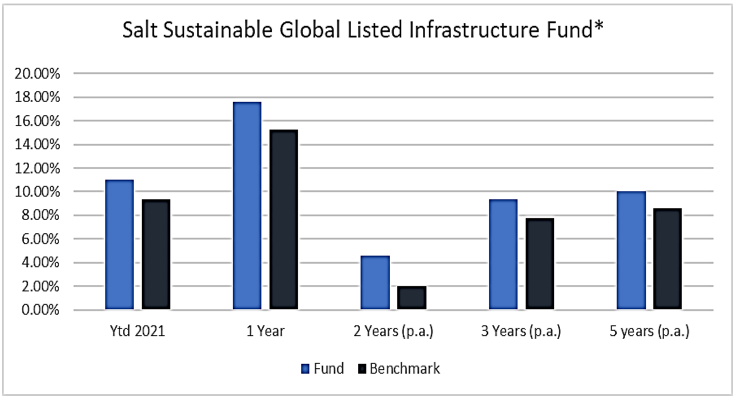
Global equities	98.00%
Cash	2.00%

Fund Performance to 30 September 2021

Period	Fund Return*	Benchmark Return
1 month	-2.93%	-3.04%
2 months (partial)	-2.65%	-2.84%

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

Cumulative Fund Performance to 30 September 2021*



Source: Cohen & Steers, Salt *data to 30 September 2021, data prior to fund inception on 18 August is simulated with hedged returns shown for C&S Global Listed Infrastructure Composite (based currency USD) adjusted for Morningstar FX hedging Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

Top 10 holdings	
NextEra Energy	Norfolk Southern
Transurban Group	AENA
Enbridge	Duke Energy
American Tower	Cheniere Energy
Canadian National Railway	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 were weaker in the September month, with major country indices declining by 3-5% in the course of the month, having gained in July and August. This led to a modest quarterly decline in the MSCI World Index of -0.4% (in USD.) Rising supply disruptions continued to prove problematic and inflation pressures rose. As the quarter progressed, concerns emerged about the near-term economic outlook, as it appeared many economies were past the peak of Covid-reopening growth benefits. The US equity market dropped 4.8% for

September month, leaving its quarterly return a modest 0.2%. European shares were barely changed last quarter, rising just 0.1%. Emerging Markets were the weakest, falling on China and inflation concerns by -4.2% for the month and -8.8% for the quarter. Japanese equities, by contrast, continued their recent rally, gaining 3.5% for the month and 4.5% for the third quarter.

Market Outlook

The global economic reopening continued in the September quarter but supply disruptions continued to prove problematic and inflation pressures rose. As the quarter progressed, concerns emerged about the growth outlook as it appeared many economies were past the peak in the Covid-reopening recovery. Central banks became more attuned to the likely persistence of above target inflation. Bond yields rallied strongly early in the quarter but sold off latterly. This led to broad (but for now, apparently shallow) consolidation in international equity markets, including infrastructure.

Developed market equities were broadly flat as a modest decline in September erased earlier gains. The MSCI World Index declined 0.4% (in USD) over the quarter. The annual gain was a still healthy 27.2%.

In the **USA**, growth and inflation trends were strong enough for the Fed to signal it will soon start withdrawing monetary stimulus. The S&P500 was flat over the quarter, at +0.2% but was still up +28.6% over the year. US 10-year yields rose 0.08% over the quarter to 1.52% but did reach a low of 1.17%.

European data was somewhat mixed, with retail sales declining but industrial production rising. Medium term prospects look positive as an earlier spike in Covid cases has started to decline. Germany and France have reported solid gains in household disposable income which bodes well for ongoing recovery in consumer spending. The FTSE Europe ex-UK index rose 1.0% (in EUR) over the quarter and 29.8% over the year. In the United Kingdom the FTSE All-Share index was up 1.1% over the quarter (in GBP) and 22.9% over the year.

The **Australian** economy is struggling under continuing lockdowns in two key states. The RBA followed through with a reduction in bond purchases in September but has pushed out the time at which it would next review the program by three months to February 2022. The ASX 200 rose +0.3% over the quarter and +26.6% over the year.

Portfolio Review

For the combined partial month of August and the full month of September, the fund declined by 2.60%, which was an outperformance the gross index return for the period beginning August 18, 2021 (inception date) and ending September 30, 2021. The fund outperformed its gross benchmark by 0.25% for the six-week period, of which 0.16% was attributable to September month. This degree of outperformance in a very difficult month for markets, when interest rates rose and equities dipped sharply through a three-week consolidation phase, is reassuring. Although the Year-to-Date absolute return has declined from the highs achieved as at 31 August, the fund's added value to benchmark has increased moderately for 2021 YTD.

Listed infrastructure posted a positive return in the third quarter but modestly underperformed the broad global equity market. The overall market's fluctuations were driven by a number of factors, including rising inflation, growth headwinds, higher interest rates, expectations for less monetary accommodation, and increased Chinese regulations.

Against this backdrop, the listed infrastructure subsectors generated mixed returns. Defensive sectors advanced (with the exception of gas distribution). Despite weakening in September, several defensive infrastructure sectors, including water companies (4.5% total return) and electric utilities (1.0%), outperformed during the third quarter. However, the defensive gas distribution sector (–3.4%) was a laggard, reflecting a sizable decline in a China-based benchmark holding.

Growth-oriented communications companies gave back a portion of their previous gains. Communications (–2.4%) was among the weakest-performing sectors during the quarter. While its underlying fundamentals remained intact, the sector lagged others given investors' demand for companies that are more exposed to the pandemic recovery and higher inflation.

Portfolio Outlook

We maintain a balanced portfolio, but we have added back some of our cyclical exposure as the pandemic recovery continues. We anticipate a continued return to more normal economic activity in the months ahead, which could provide tailwinds for more cyclical companies. That said, risks remain due to the growth in virus cases globally, differing travel restrictions and reopening policies, inflationary pressures, supply chain challenges, and regulatory uncertainties in China. Within our 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 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. Longer term, secular trends such as the digital transformation of economies and the transition to clean energy will potentially be significant drivers of infrastructure returns.

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