Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – November 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 30 November 2022

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$54.45 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 November 2022

Application	1.0157
Redemption	1.0116

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 2022

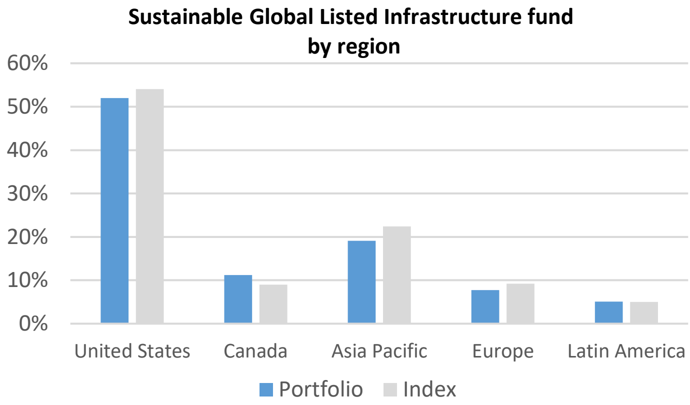
Global equities	95.1%
Cash and cash equivalents	4.9%

Fund Performance to 30 November 2022

Period	Fund Return*	Benchmark Return
1 month	6.28%	5.97%
3 month	-1.44%	-2.73%
6 month	-2.90%	-4.04%
1 year	5.43%	5.35%
Since inception	5.19%	2.54%

*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 30 November 2022.

Fund regional weightings as at 30 November 2022*



Source: Cohen & Steers, Salt *data to 30 November 2022

Top 10 holdings	
NextEra Energy	TC Energy
Transurban	PPL Corporation
Norfolk Southern Rail	American Electric Power
American Tower	Airports of Thailand
Sempra Energy	SBA Communications

The fund's top 10 holdings comprise 37.1% of the portfolio

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.5	6.4
MSCI ESG score	6.2	6.3

Source: Cohen & Steers Quarterly Investment Report

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Market Review

November month saw the strong rebound in markets continuing including listed infrastructure, following the sharp corrections of the third quarter. Over the last year, infrastructure has continued to perform substantially more resiliently than broader equity markets, and the Fund has returned to a positive one-year return of +5.4% (after fees.). Going forward, global listed infrastructure is favoured due to its inherent inflation protection and defensive characteristics, and to large-scale works projects around the world particularly in the energy transition domain, but also in transportation.

- Equity markets continued their recovery from mid-October's lows with developed markets rising a healthy 7% and emerging markets up nearly 15% (both in USD).
- Despite further aggressive rate hikes from the US Federal Reserve and the Bank of England, who hiked their respective policy rates by 75bp, the Global Aggregate Bond Index rallied 4.7% (in USD) over the month as US inflation data printed below expectations. This was the first below expectations data print in four months, contributing to the view that the Fed would be able to slow the pace of rate hikes from December.
- In the United States, consumer spending continues to prove resilient, however there is a strong downtrend emerging in the housing market. Housing starts peaked at an annualised 1.8m in April but had fallen to 1.4m by October. Consumer spending continues to be supported by an equally resilient labour market, though signs of weakness are emerging there too as unemployment claims have risen and job openings have declined.
- In Europe higher energy prices continue to fuel new highs in consumer price increases. The October eurozone CPI came in at 10.6%. At the same time, activity indicators improved over the month including consumer confidence, albeit from very low levels. The risk of Europe running out of gas this winter continues to diminish thanks to mild temperatures and soft demand. Storage is over 90% of capacity.
- Policymakers in China have started a gradual easing of Covid controls and have stepped up efforts to vaccinate the elderly. The easing of controls includes a shortening of the quarantine period and taking secondary contacts out of scope for quarantine. But it has not all been positive news as some new restrictions were put in place towards the end of the month. Despite the setback, equity markets rallied on the back of hopes of an eventual end of the Covid-zero policy.
- Activity data in China was mostly weaker than expected over the month. Monetary policy was eased, and we expect there is more easing in the pipeline.

Portfolio Review

Infrastructure stocks outperformed the broader equity market in November and maintained their sizable year-to-date outperformance. Investor sentiment was buoyed by a number of factors, including expectations for moderating inflation and less aggressive monetary tightening, some relaxing of China's zero-Covid policy, declining bond yields, falling oil prices, and a weakening U.S. dollar. (One exception was Brazil, where political uncertainty dragged down the market.)

All listed infrastructure subsectors posted positive returns in November. The utility subsectors had solid gains. Gas distribution (11.3% total return) was the top-performing sector, partially driven by several Chinese companies. Water utilities (7.3%) were among the best performers for a second consecutive month. U.S. water companies generally performed well given falling interest rates, while U.K. companies rallied amid more stable U.K. markets. Electric utilities (6.2%) had a competitive return despite being one of the more defensive parts of the market. European utilities generally reported solid results, whereas performance was mixed in the U.S. due to some concerns over 2023 earnings in an inflationary environment.

A number of commercial sectors performed well. Marine ports (9.3%) outperformed, partially driven by strong performance in China on reopening optimism. Railways (6.2%) were supported by overall solid earnings from North American freight rail companies; however, results were weak in Brazil on macroeconomic concerns. Midstream energy (5.3%) was a relative laggard as the price of oil declined. The sector remains the top year-to-date performer by a large margin.

Transportation-related sectors posted positive returns in November. Toll roads (5.8%) benefited from lower interest rates and some loosening of China's Covid policies. Airports (4.5%) were led by Chinese operators given expectations for improved passenger volume. Several Mexican airport operators continued to benefit from strong traffic, while performance was mixed in Europe.

Communications stocks (5.8%) were supported by falling interest rates in the U.S. However, performance among certain U.S. tower companies was held back by disappointing earnings.

Portfolio performance

The portfolio had a positive total return for the November month of 6.28% (after fees) and outperformed its benchmark by 0.31%. For the year, the portfolio returned 5.43% (after fees) and outperformed its benchmark by 0.08%.

Key contributors

• Stock selection in electric utilities (6.2% total return in the index): An underweight in Dominion Energy contributed to performance; its shares declined over regulatory concerns in Virginia. Our non-investment in The Southern Company was also beneficial; its shares were weighed down by higher inflation and interest rates, which could hinder its near-term earnings.

• Stock selection in toll roads (5.8%): An out-of-index position in Zhejiang Expressway contributed to performance as the stock rallied amid signs for less stringent zero-Covid policy in China.

• Stock selection in water utilities (7.3%): Our overweight position in China-based Guangdong Investment helped, as it too benefited from optimism about China reopening.

Key detractors

• Stock selection in midstream energy (5.3%): An overweight in TC Energy detracted from performance; it declined due to a cost overrun at one of its projects. An out-of-index position in DT Midstream was also a negative. The stock gave back some of its strong year-to-date performance as some investors took profits.

• Stock selection in gas distribution (11.3%): An out-of-index position in Altagas was negative for performance; its well-regarded CEO is retiring.

• Stock selection in airports (4.5%): A lack of exposure to China-based Hainan Meilan International Airport detracted. The company's shares rallied sharply over the aforenoted reopening activity.

Investment Outlook (Cohen & Steers commentary)

We maintain a balanced portfolio as we continue to monitor the impact from elevated inflation, central bank tightening and weakening global growth. During the month, we made a few adjustments to the portfolio on the margin, including swapping some investments in the utility space and midstream energy sector, as well as paring some exposure in Brazil.

Higher interest rates and inflation may challenge certain subsectors. That said, broad infrastructure returns have historically shown positive sensitivity in inflationary environments. We believe inflation and interest rates will remain elevated from a historical perspective, and performance dispersion among infrastructure subsectors can be significant in uncertain economic periods and amid rising bond yields. However, 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 despite higher interest rates. Several significant transactions were recently announced or are pending across various subsectors and geographies. Although the pace of transactions has moderated given the rising cost of capital, we generally expect this trend to continue over time, which may support listed infrastructure valuations.

The passage in the US of the Inflation Reduction Act could be a long-term benefit to some companies with renewables exposure. The bill should accelerate development in renewables by providing substantial subsidies.

Greg Fleming, MA