Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – November 2023

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 2023

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$45.95 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 November 2023

Application	0.9182
Redemption	0.9145

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 2023

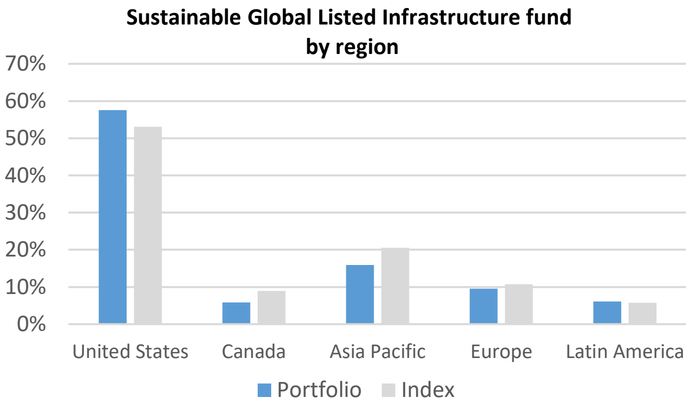
Global equities	94.9%
Cash	5.1%

Fund Performance to 30 November 2023

Period	Fund Return*	Benchmark Return
1 month	5.89%	6.37%
3 month	1.27%	0.94%
6 month	0.13%	-0.32%
Year to date	-1.80%	-2.90%
1 year	-4.91%	-5.51%
Since inception p.a.	0.82%	-1.07%

*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 30 November 2023.

Fund regional weightings as at 30 November 2023*



Source: Cohen & Steers, Salt *data to 30 November 2023

Top 10 holdings	sector		sector
American Tower	Towers	CenterPoint	Electric
Next Era Energy	Electric	PPL	Electric
TC Energy	Midstream	Sempra	Gas Distribution
Cheniere	Midstream	Alliant Energy	Electric
SBA Communications	Tower	Transurban	Toll Roads

The fund's top 10 holdings comprise 35.8% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 30 November 2023

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.7	6.4
MSCI ESG score	6.4	6.3

Source: Cohen & Steers Quarterly Investment report Q3-4 2023

Market Review

Listed infrastructure stocks rebounded sharply in November, as interest-rate sensitive assets responded to a rapid move lower in bond yields and investors sought out well-valued assets. The Fund underperformed for the month, with a 5.89% gross return, lagging the benchmark's 6.37% return. However, for the quarter and year-to-date, the fund remains comfortably ahead of its benchmark.

- After a tough October for markets, November provided a degree of respite with developed market equities and bonds both making gains over the month.
- Data over the month supported the soft-landing scenario for the US with a broader easing in inflation readings across developed markets. Developed market equities rose 9.4% (in USD) over the month with the global aggregate bond index up 5.0% (also in USD).
- In the US, still resilient though cooling data supported hopes of a soft landing in the US. Payrolls expanded at a slower rate in October while retail sales fell over the same month, suggesting consumers are moderating their spending after a stronger-than-expected run of gains. At the same time, October CPI inflation came in softer than expected. This lowered investor expectations of a final rate hike at the Fed's December meeting. However, while we may have seen the peak in rates, the minutes of the November FOMC meeting make it clear not to expect early cuts.
- Activity data in Europe remains weak, particularly for industrial production and manufacturing activity. However, the labour market continues to buck the weakening trend with a modest rise in employment over the September quarter. Lower energy price was the major contributor to the decline in the annual rate of headline CPI inflation to 2.4%. The core measure remains at a more worrisome 3.6%, prompting the European Central Bank to comment that it remains vigilant to upside inflation risks.
- Activity data in Japan remained somewhat sluggish. September quarter GDP data showed weaker-than-expected domestic demand, consumption, and capital expenditure. The focus remains on wage growth where the strength of corporate earnings supports the expectation of further wage growth next year. This should see the Bank of Japan continuing to relax its Yield Curve Control policy and end its Negative Interest Rate Policy as early as its January meeting.
- China activity data continued its improved run with retail sales up 7.6% y/y in October, however the housing market remains a source of concern. New home sales continued their year-on-year decline in October. The People's Bank of China injected further liquidity into the banking system over the month and we expect further fiscal stimulus will be provided to support consumer demand.
- As we expected, the Reserve Bank of Australia resumed rate hikes in November following a run of stronger than expected activity, labour market and inflation data. The 25bp hike took the cash rate to 4.35%. We expect one further hike to 4.6%, most likely at the February meeting.
- In New Zealand, there was a meaningful softening in labour market pressures with a decline in employment and a rise in the unemployment rate from 3.6% to 3.9% over the September quarter. Wage growth also moderated. This, along with further weakness in key activity data despite strong population growth saw the Reserve Bank of New Zealand (RBNZ) keep the Official Cash Rate on hold at 5.5% at the November Monetary Policy Statement. However, the Statement was at the hawkish end of expectations with the RBNZ maintaining its tightening bias and reinforcing the length of time for which interest rates will need to remain restrictive.

Portfolio Review

Listed infrastructure generated a strong total return in November. Falling interest rates and lower inflation spurred a broad market rally, and every infrastructure subsector posted positive returns. Communications, toll roads, and airports were among the best performers. Conversely, gas distribution and marine ports lagged.

Communications surged, while utilities posted modest returns. Communications companies (18.4% total return) posted the strongest gains in the index, buoyed by falling interest rates, healthy earnings reports, and favourable market reaction to shareholder activism. Regulated utilities were not as strong, despite solid earnings results. Water utilities (7.0%) and electric utilities (4.6%) posted relatively modest gains. The gas distribution sector (2.1%) recorded the weakest gains, hindered by concern over new gas customer connections in China.

Passenger transportation–related sectors performed well. Within toll roads (8.6%), shares of an Australia-based company—the sector's largest index constituent—posted double-digit gains boosted by lower interest rates. The airports sector (7.8%) bounced back from a difficult October driven by a recovery in Mexican airport operators. The potential negative impact of the country's proposed tariff changes may not be as great as initially feared.

Commercial infrastructure sectors also rose. Midstream energy companies (7.5%), particularly those in Canada, were supported by strong earnings and investor day updates. Railways (6.2%) benefited from better trends in freight volumes. Gains were more modest in marine ports (4.7%).

Portfolio performance in November 2023

Key contributors

• Overweight allocation and security selection in communications (18.4% total return in the index): An overweight position in U.S.-based tower infrastructure company SBA Communications contributed to relative performance. The company's third-quarter earnings report was well received, and cell tower operators overall benefited from lower interest rates.

• Stock selection in marine ports (4.7%): Contributors included an overweight in Brazil-based port operator Santos Brasil that added value. Shares rallied on the news of a turnaround in volumes.

• Out-of-index position in transport logistics: A position in an Australia-based Qube Logistics was beneficial, as its shares rose amid reports of strong container volumes.

Key detractors

• Stock selection in airports (7.8%): An overweight position in airport management company Airports of Thailand detracted from performance. Shares declined on concerns about weaker traffic in China as well as the news that the government of Thailand is moving to abolish duty-free shopping upon arrival in the country, which could have a negative impact on the firm's duty-free revenue sharing potential.

• An overweight position and stock selection in gas distribution (2.1%): Shares of Hong Kong-listed Chinese gas utility ENN Energy Holdings underperformed amid ongoing concerns about weakness in the Chinese property market.

• Stock selection in toll roads (8.6%): An out-of-index investment in Chinese toll road operator Zhejiang Expressway negatively affected performance. Investors reacted unfavourably to a rights offering by the company, the proceeds from which will be used to expand existing operations.

Investment Outlook (Cohen & Steers commentary)

We remain somewhat defensively positioned as we manage the portfolio for slower economic growth. 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 challenged. Although interest rates moved lower in November, our longer-term views remain unchanged. We continue to closely monitor the impact from 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 persistent inflation.