

SALT

Salt Sustainable Global Listed Property 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 EPRA Nareit Developed Real Estate Index Hedged in NZD on a rolling three-year basis. The Fund targets a portfolio of global listed real estate 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 EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	\$29.83 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 29 February 2024

Application	0.8164
Redemption	0.8131

Investment Guidelines

The guidelines for the Sustainable Global Listed Property Fund are:

Global equities	95% – 100%
Cash	0% – 5%

Target Investment Mix

The target investment mix for the Global Sustainable Listed Property Fund is:

Global equities	100%
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Fund Allocation at 29 February 2024

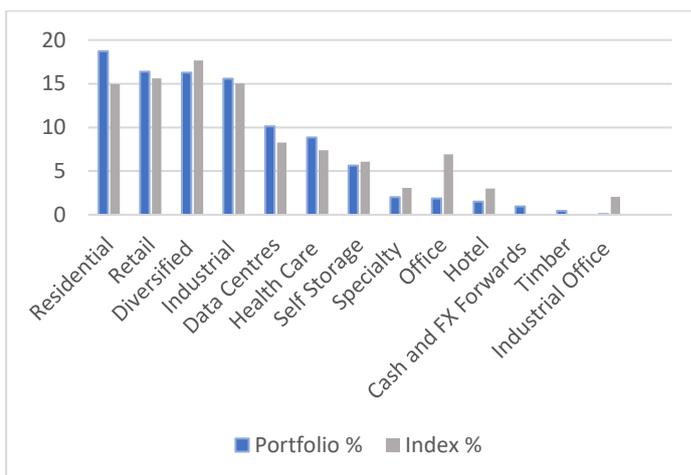
Global equities	96.4%
Cash, Short term & Sundry	3.6%

Fund Performance to 29 February 2024

Period	Fund Return*	Benchmark Return
1 month	0.57%	-0.09%
3 months	4.55%	4.68%
6 months	3.47%	3.13%
1 year	3.83%	1.17%
2 years p.a.	-4.33%	-6.66%
Since inception p.a.	-3.58%	-6.22%

*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 at 29 February 2024.

Fund Sectoral Weightings in % as at 29 February 2024



Source: Cohen & Steers

Top 10 holdings as at 29 February 2024

Prologis	Simon Property Group
Welltower	Equinix
Digital Realty Trust	Sun Communities
Invitation Homes	Essex Property Trust
Realty Income Corp	Extra Space Storage

The fund's top 10 holdings comprise 47.6% of the portfolio

Source: Cohen & Steers Monthly Report 29 Feb. 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.25	6.04
MSCI ESG score	5.87	5.87

Source: Cohen & Steers Investment Report February 2024

SALT FUNDS MANAGEMENT

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Market Review

The Salt Sustainable Global Property Fund rose by 0.57% in February (before fees) as interest-rate sensitive global equities consolidated so far this year following strength in November and December. A more realistic investor view of central bank's timeframe for easing rates led to weaker bond markets and this restrained Real Asset classes. The Fund's monthly return was above the benchmark's gross return of -0.09%. Relative performance for the three-month period saw the fund slightly trail the benchmark, at 4.55% (gross) compared with 4.68% for the index. Over the year to 29 February, the Salt fund has performed well ahead of its benchmark return, gaining 3.83% (before fees) compared to a rise of 1.17% for the index.

Since inception, the Fund has outperformed its benchmark by 2.64% p.a. Absolute returns in 2023 were positive, but the path was erratic as sentiment regarding lower future interest rate has fluctuated, regarding both the timing and scale of monetary policy easings, and uncertainty on rates continues to dominate near-term returns.

- 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

Global real estate securities were in modestly negative territory in February amid higher interest rates in various markets. The 10-year U.S. Treasury yield ended the month higher as investors moderated expectations around a pivot in Federal Reserve monetary policy amid higher-than-expected U.S. inflation data.

Real estate securities in North America outperformed as investors digested the latest earnings results. The Asia Pacific region declined relatively modestly, while Europe lagged after significant outperformance during the fourth quarter.

In the U.S. (1.7% total return), real estate shares gained despite rising real interest rates. Among retail-oriented property types, regional malls gained on strong performance from a high-quality mall operator, which reported robust net operating income growth. Shopping centres trailed, despite evidence of solid leasing activity and occupancy growth. Data centres outperformed on continued outstanding demand, underscored by surging results from a chipmaker whose flagship product is used in data centres. Hotels rose on better-than-expected 2024 outlook. Among residential property types, single-family homes for rent shares gained as strong demand persisted as a result of affordability challenges in the for-sale market, along with muted supply. The manufactured home REIT sector was supported by one company's results, which were modestly ahead of consensus expectations. Apartments trailed amid concern that supply challenges will persist into 2025 particularly in Sunbelt markets. Industrial REITs outperformed on expectations of a rebound in demand in 2H24

Health care REITs gained but modestly trailed U.S. REITs broadly. Performance within the sector was mixed, with notable dispersion among senior-housing companies. Office REITs trailed amid expectations that occupancies won't bottom out until 2025, with one West Coast company facing large move-outs among tech-sector tenants. The self-storage sector declined amid mixed performance among the larger index constituents. Free standing REITs, which tend to be among the most interest-rate sensitive, trailed as the 10-year Treasury yield rose in the month.

European real estate securities notably trailed following a period of strong performance. The Netherlands (-3.6%) and France (-5.6%) fared relatively well within the region, aided by retail strength. In France, a bellwether retail-oriented company reported year-over-year growth in funds from operations that was above consensus. The company has continued to demonstrate its commitment to decreasing leverage via asset disposals. In the U.K. (-6.7%), the industrial and retail sectors outperformed, while office and self-storage trailed.

Spain (-7.9%) was weighed down by underperformance from an office REIT. Belgium (-9.6%) names were broadly pressured, with

particular underperformance among health care operators, which trailed on legacy tenant concerns. Sweden (-7.9%) and Germany (-11.9%), which tend to be among the more interest rate sensitive, also lagged.

The Asia Pacific region was mixed as investors digested earnings results. In Hong Kong (4.7%), markets rebounded strongly after January's correction, driven by expectations of higher consumption and China policy stimulus during the Chinese New Year. Markets corrected after the holidays, as consumption pickup was not as strong as expected and not all of the stimulus news materialized. Hong Kong developers rallied after the government removed all residential purchase policy restrictions, which was a positive surprise (the market only expected a partial relaxation). Underperformers included companies which reported disappointing earnings results.

In Japan (-1.5%), developers were strong, while the REIT sector trailed, with underperformance led by diversified REITs, particularly those that have not executed buybacks. Hotel REITs outperformed after reporting another month of strong bookings.

In Australia (-1.7%), listed real estate traded modestly down given the increase in long-term government bond yields globally. Weakness in offices included one company that underperformed after reporting a softer first-half result, with the outlook for office fundamentals remaining subdued in Sydney and Melbourne. A diversified landlord also underperformed given its office exposure, despite its mall and logistics assets performing strongly.

In Singapore (-3.7%), industrial REITs were hindered by rising interest rates and weak full-year results. REITs that reported better full-year numbers outperformed.

Portfolio Performance

The last eighteen months has been a turbulent period for listed Real Estate, as interest rate and banking uncertainties have been in a tug-of-war with better valuations and fundamentals. Substantially more positive sentiment is returning as inflation continues to subside, the interest rate outlook is pivoting towards lower policy rates, and value opportunities are recognized. However, premature market optimism on inflation and interest rates is keeping the sector volatile. The portfolio had a positive total return for the year of 3.83% (gross), outperforming its benchmark again in February.

Key contributors

- Stock selection in the U.S. (1.7% total return in the index): An out-of-index position in Iron Mountain contributed. The company has benefitted from steady pricing power in its storage business along with accelerating fundamentals in its data centre business. An overweight in senior housing specialist Welltower benefited from positive occupancy trends in the fourth quarter 2023 and a better-than-expected senior housing outlook.
- Security selection in Australia (-1.7%): An out-of-index position in Goodman Group aided performance. The industrial REIT strongly outperformed after reporting a better-than-expected first-half fiscal-year result.
- Underweight in Sweden (-7.9%): Our underweight contributed as the Swedish listed real estate market, which tends to be interest-rate sensitive, trailed.

Key detractors

- Security selection in Japan (-1.5%): Our non-investment in developer Mitsubishi Estate detracted as investors speculated on a potential share buyback program. Overweight allocations in Sumitomo Realty & Development and Nomura Real Estate also hindered performance.
- Overweight in the U.K. (-6.7%): Our overweight detracted as the U.K. declined along with continental Europe.
- Overweight in Belgium (-9.6%): While often a relatively defensive market, Belgium significantly declined, underperforming broadly and within Europe.

Investment Outlook (Cohen & Steers commentary)

We believe global real estate offers attractive return potential relative to broad equities. An end to central bank tightening tends to be followed by notable strength in listed real estate performance. In addition, cash flows generally remain sound, and we anticipate healthy earnings growth in 2024.

We maintain a positive view of U.S. REITs, with a preference for assets with strong secular growth profiles and pricing power. Data centres should continue to benefit from strong demand for cloud computing and, increasingly, artificial intelligence. We see the residential sector benefiting from affordability issues in the for-sale market, which are leading to higher demand for rental housing, especially within single-family homes. Elevated levels of supply in Sunbelt multifamily markets have made us cautious, however.

Within health care, we have a positive outlook on senior housing, where accelerating occupancy and pricing power are driving revenue growth higher.

We are underweight self-storage, as demand remains subdued partially due to muted housing volume. Within retail, we believe certain landlords with high-quality properties and strong balance sheets stand to gain market share over time. However, we are mindful of the impacts that elevated inflation and a potential slowdown in the jobs market could have on the U.S. consumer. We remain cautious toward offices as businesses reassess their future needs, although we have an allocation within the Sunbelt, which we favour over coastal locations.

We have a somewhat cautious view of European real estate securities, given concerns around growth prospects. Our current positioning is differentiated more by property sector and individual security than by country, based on the common drivers impacting property types across the region. We like logistics and self-storage, which tend to be more defensive and have structural growth characteristics. We also favour high-quality continental retail.

We see opportunities in Asia Pacific in countries with more favourable economic backdrops. Within Australia, we favour industrial, self-storage and residential developers; we are cautious on retail and offices. In Singapore, we are positive on underlying hospital fundamentals and continue to favour retail, as sales remain above pre-pandemic levels, which we believe should lead to an increase in rents. In Japan, we favour developers with strong shareholder return potential, we continue to like hotels, and we are modestly overweight offices. We have been reducing our weighting in Hong Kong on concerns around a China macro slowdown.



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