

SALT

Salt Sustainable Global Listed Property 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 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 30 November 2023

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	\$28.63 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 November 2023

Application	0.7841
Redemption	0.7808

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 30 November 2023

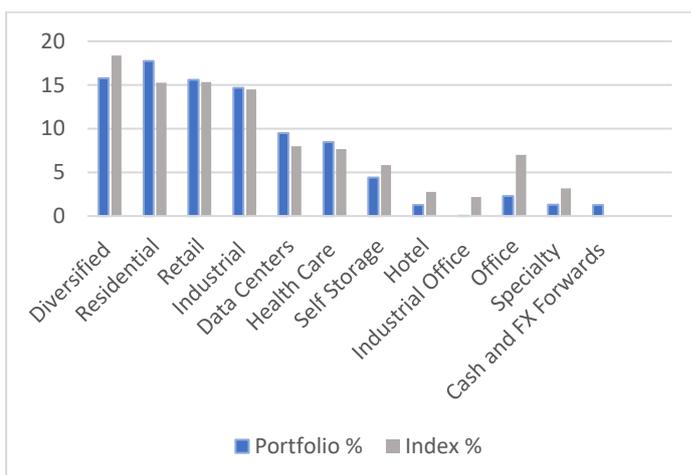
Global equities	98.7%
Cash and cash equivalents	1.3%

Fund Performance to 30 November 2023

Period	Fund Return*	Benchmark Return
1 month	9.89%	9.00%
3 months	-1.03%	-1.47%
6 months	3.20%	2.06%
Year to date	4.36%	0.92%
1 year	0.46%	-2.84%
Since inception p.a.	-5.89%	-8.81%

*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 30 November 2023.

Fund Sectoral Weightings in % as at 30 November 2023



Source: Cohen & Steers

Top 10 holdings as at 30 November 2023

Prologis	Realty Income Corp
Welltower	Equinix
Digital Realty Trust	Sun Communities
Invitation Homes	SBA Communications
Simon Property Group	Americold Realty

The fund's top 10 holdings comprise 43.2% of the portfolio

Source: Cohen & Steers Monthly Report 30 Nov. 2023

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.2	6.0
MSCI ESG score	5.8	5.8

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

SALT FUNDS MANAGEMENT

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Market Review

The Salt Sustainable Global Property Fund rallied by 9.89% (before fees) in November, as interest-rate sensitive global equities surged. The Fund's return was above the benchmark's gross return of 9.00%. Relative performance for the three-month period beat the benchmark by 0.44%, at -1.03% compared with -1.47% for the benchmark. Over the year to 30 November, the Salt fund has performed well ahead of its benchmark return, and just moved into positive annual territory, rising by 0.46% (before fees) compared to a fall of -2.84% for the index.

Since inception, the Fund has outperformed its benchmark by 2.9% p.a. Absolute returns in 2023 year-to-date remain erratic, with the fund ytd return 3.44% above benchmark. Sentiment swings have reversed prior declines that were due to interest rate pressure and to uncertainty on inflation which dominated until November.

- 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 for November 2023

Global real estate stocks had one of their best months on record in November amid optimism around central bank policy easing and as property fundamentals generally remained healthy. Softer-than-expected inflation data in the U.S. and Europe helped drive increased optimism around a shift in monetary policy, pushing bond yields sharply lower. Expectations rose that the Federal Reserve and European Central Bank could begin to cut benchmark lending rates as early as the first half of 2024.

In the U.S. (10.4% total return¹), real estate shares rallied as real interest rates declined and REIT debt spreads tightened. The self-storage and office sectors, both of which have struggled this year with reduced demand, found favour.

Performance among retail landlords saw regional malls benefiting from solid leasing activity amid continued retailer strength. Among free standing retail REITs, a large index constituent outperformed after reporting earnings that were above estimates. Shopping centres were in positive territory but trailed despite leasing strength. Industrial landlords outperformed as interest rates declined, though we are seeing indications in multiple U.S. markets of a likely deceleration in rent growth, with rent declines expected to follow. Hotels outperformed, with the tone at this month's semi-annual Nareit gathering more upbeat than at prior meetings. Performance among residential property types was mixed, with a notable

disconnect between single-family and multi-family residences. Single-family homes for rent are benefiting from favourable supply and demand fundamentals, which, in our view, support attractive rent growth for next year. Apartments trailed on weakened year-to-date rent growth, with the previously strong Sunbelt region challenged by increased supply and softening demand.

Data centres generally continued to enjoy the best spot market pricing on record. Comments from a technology company that supplies chips for artificial intelligence (AI) applications were seen as a positive read-through for data centre demand.

Health care REITs trailed, with one senior housing owner issuing a large amount of equity to fund acquisitions.

European real estate securities were broadly positive on a sharp decline in interest rates. Share prices were also buoyed by company reports generally indicating that operations remain solid, with results largely meeting or exceeding consensus expectations. Spain (17.3%) benefited partly from a diversified property owner reporting much better-than-expected occupancies and favourable (though

decelerating) re-leasing spreads. Germany (16.0%) was lifted by solid results in the residential sector, which included greater-than-anticipated investment activity in what has been a challenging environment.

In the U.K. (12.5%), the retail sector was strong, led by a highly leveraged shopping centre landlord that likely rose more on lower interest rates than expectations for improving fundamentals. Industrial and self-storage property owners continue to enjoy strong tenant demand, with a slowdown in speculative construction likely representing a near-term inflection point. Office company updates pointed to further operational strength in the London market, but asset values declined materially, which led to weakness for the shares.

In Belgium (11.9%), industrial was a top-performing sector. Care home operators continued to show resilience in rent and occupancy growth, and improving staffing levels should benefit margins. France (11.8%) was aided by the relative performance of a large mall landlord that issued a late-October trading update with an improved funds from operations outlook. The Netherlands (5.3%), represented in the index mostly by retail-oriented names, gained but underperformed the region.

The Asia Pacific region gained modestly relative to Europe and the U.S. Australia (10.7%) traded strongly up with the decrease in long-term government bond yields globally and a lower-than-expected domestic inflation print. Against this backdrop, residential developers outperformed. Among retail-oriented names, shopping centre REITs lagged given the more defensive nature of non-discretionary retail.

In Singapore (6.2%), large-cap industrial REITs and data centres outperformed while small-cap names generally trailed. In Japan (3.6%), developers benefited from generally positive earnings results amid broadly elevated investor risk appetite. JREITs trailed as the Bank of Japan is in a different stage of the monetary policy cycle than its global peers (early versus later stage of tightening).

In Hong Kong (0.4%), markets rallied early on the back of lower U.S. bond yields and expectations for China to provide property sector stimulus, but they later reverted when authorities did not confirm the stimulus. Developers were weak; the Hong Kong Interbank Offered Rate (HIBOR) increased to record levels, which may put more pressure on the housing market.

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.

Key contributors

- Stock selection in the U.S. (10.4% total return): An out-of-index position in infrastructure REIT SBA Communications contributed, as did our noninvestment in apartment owner Equity Residential.
- Security selection in Australia (10.7%): An out-of-index position in higher-growth fund manager Charter Hall Group and an overweight allocation in residential developer Stockland rose as long-term government bond yields declined.

- Selection and an overweight in Spain (17.3%): An out-of-index investment in Cellnex Telecom rose materially. The tower company's results were in line with expectations, and guidance did not meaningfully change, but the new CEO's messaging regarding deleveraging, asset disposals and shareholder remuneration was warmly received.

Key detractors

- Underweight and stock selection in Sweden (19.5%): The portfolio had no investment in several highly leveraged companies that rebounded following weakness in prior months.
- Security selection in Singapore (6.2%): We held an overweight investment in health care-focused Parkway Life Real Estate, which trailed along with other defensive names. We also held an overweight in Capitaland Investment; the company, which lacks residential exposure, modestly outperformed other developers but lagged the benchmark.
- Stock selection in France (11.8%): The portfolio's overweight in Klépierre ended the month with a modest loss. A U.S. mall owner with a considerable stake in the company issued euro-denominated convertible bonds exchangeable into shares of Klépierre, which weighed on the French company's share price.

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 into 2024.

Moreover, real estate companies typically have high operating margins, low sensitivity to commodity and labour prices, and (in many cases) inflation-linked rents, making them better suited than traditional asset categories to defend against a prolonged environment of high inflation.

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 positive wage growth and affordability issues in the for-sale market, which are leading to higher demand for rental housing, especially within single-family homes. Within health care, we have a positive outlook on senior housing, where occupancies are improving following early-pandemic declines.

We are underweight self-storage, as supply/demand imbalances are pressuring rents. While we believe secular headwinds remain for 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 are somewhat cautious on 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 retail 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 the China macro slowdown, but we maintain an overweight in domestic-focused retail landlords.



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