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Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – January 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 31 January 2023

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$54.68 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 January 2023

Application	1.0076
Redemption	1.0035

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 31 January 2023

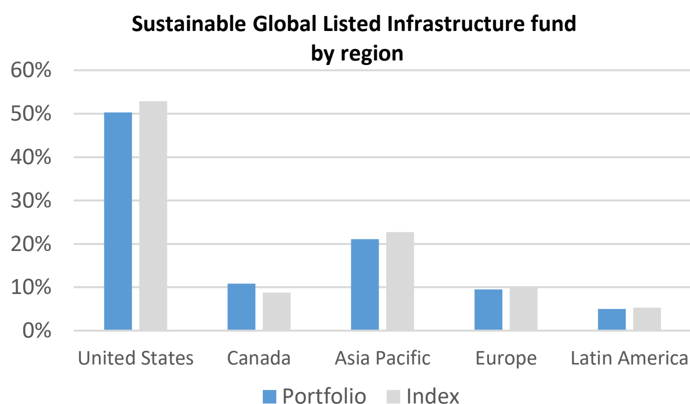
Global equities	97.9%
Cash and cash equivalents	2.1%

Fund Performance to 31 January 2023

Period	Fund Return*	Benchmark Return
1 month	2.60%	1.55%
3 month	5.43%	4.72%
6 month	-3.94%	-4.75%
1 year	1.77%	0.37%
Since inception	4.35%	1.39%

*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 31 January 2023.

Fund regional weightings as at 31 January 2023*



Source: Cohen & Steers, Salt *data to 31 January 2023

Top 10 holdings*	sector		sector
NextEra Energy	Electric	TC Energy	Midstream
Transurban	Toll Road	PPL Corp.	Electric
Sempra Energy	Gas Dist.	CSX Corp.	Freight Rail
Airports of Thailand	Airports	NiSource	Gas Dist.
Canadian Pacific Railway	Freight Rail	AENA	Airports

The fund's top 10 holdings comprise 33.1% of the portfolio.

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.6	6.4
MSCI ESG score	6.3	6.3

Source: Cohen & Steers Quarterly Investment Report 31 Dec. 2022

Source: Cohen & Steers, Salt *data to 31 January 2023

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Market Review

January month saw another reversal in sentiment, this time back into a positive tone after a weak December month. Equity markets around the world rose during the month, led by a 6.3% bounce in the US S&P 500 Index, which recovered its December loss. The more constructive market mood also lifted listed infrastructure. The global infrastructure benchmark gained 1.6% in January and the Salt Sustainable Global Infrastructure Fund rose 2.7%. Over the last year, infrastructure has continued to perform substantially more resiliently than broader equity markets, with the Salt fund logging a positive one -year return of 1.77% (after fees.) Since inception, the Fund has returned +4.35% (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.

- Stock markets had a strong start to 2023. Developed market equities rose 6.0% (in USD) over the month. Bonds also rallied as it became evident that inflation had peaked in the key developed economies, with the Global Aggregate bond index returning +3.2% (USD).
- The surprisingly swift end to China's zero-Covid policy bolstered already positive expectations about growth in China this year. That will benefit not only China but also China's main trading partners given the extent of pent-up demand and high savings rates amongst China's consumers.
- China GDP was weak in the final quarter of 2022; however more recent partial indicators suggest that may be the bottom of the cycle with a recovery expected to unfold over 2023 on the back of re-opening and likely ongoing policy support.
- Softer annual inflation rates in the US and the Eurozone raised hopes that those central banks might soon end their tightening cycles. However, while some central banks have reduced the pace of rate hikes, there isn't any greater clarity on the level at which interest rates will peak.
- In the US, labour market data was viewed positively by markets in that while employment remained solidly positive, wage inflation also slowed, suggesting a soft landing was indeed possible. The cautionary note is that wage inflation remains well in excess of the level consistent with 2% inflation.
- In Europe, the relatively mild winter has led to a decline in energy prices and has seen inflation recede from its peak and has reduced the risk of recession. The average purchase price for natural gas in January was over 50% lower than the average prevailing in H2 2022.
- At the same time, activity data out of the Eurozone has been surprisingly upbeat, indicating a winter recession may be avoided, albeit narrowly. This surprising economic resilience has supported Europe's equity markets at the start of the year.
- Japan's inflation surged to 4% in calendar 2022, its highest level in 31 years. The Bank of Japan loosened its yield curve control policy, widening the band in which 10-year JGBs can trade from +/-25bp to +/-50bp. The Bank then had to intervene with bond purchases through January as markets anticipated a further widening, which did not eventuate.
- Despite recently soft retail sales data in Australia, the Reserve Bank of Australia will likely continue to raise interest rates. Headline inflation came in at 7.8% for the year to December 2022, a 32-year high and ahead of expectations.

Portfolio Review

Infrastructure stocks rose in January on improved global economic prospects. Falling interest rates, increased optimism around the economic outlook in Europe, and the continued reopening in China supported the market. Most listed infrastructure subsectors posted positive returns for the month. Concerns over weakening global economic data, the repercussions from the war in Ukraine, and supply chain issues continue to moderate the market. However, signs of moderating inflation, hopes for less aggressive monetary tightening, and the continued reopening in China have recently provided support. The listed infrastructure subsectors posted mixed returns in January.

Transportation-related sectors significantly outperformed in January. Airports (10.6% total return) was the top performing sector, driven by strong returns from a number of Mexican and European airport operators. Mexican traffic volumes continued to rise, while Europe's economic outlook appeared less dire given the decline in global natural gas prices. Toll roads (6.1%) were particularly strong in Europe, rising on lower gasoline and diesel fuel prices and the improved economic outlook. Meanwhile, falling interest rates aided Australia-based Transurban, the largest constituent in the sector.

Communications stocks (7.5%) were partially driven by mergers and acquisitions rumours. Though no deal was announced, a European tower company rallied sharply on takeover rumours in press reports. The sector was also buoyed by declining interest rates in the US.

Utility subsectors generated mixed returns. Gas distribution (4.4%) rallied on the back of lower natural gas prices and solid returns from Sempra Energy, the sector's largest constituent. The sector was also supported by China's end to a three-year period of pandemic restrictions, which prompted an uptick in 2023 global growth forecasts. Water utilities (2.5%) moved higher as a number of higher-growth US companies benefited from falling interest rates. Electric utilities (–1.8%) underperformed as investors embraced risk and rotated away from traditionally defensive sectors during the month.

Company- and economic-specific factors impacted several sectors. Marine ports (–9.2%) were mixed. Santos Brasil benefited from optimism over recontacting and strength in Brazilian markets. By contrast, India-based Adani Ports was negatively impacted by a high-profile short seller report. Railways (–0.3%) lagged on mixed earnings results and what we believe to be conservative guidance. Midstream energy (2.7%) rallied as the improved macro backdrop is likely to support energy throughput volumes.

Portfolio performance

The portfolio had a positive total return for the month to 31 January and outperformed its benchmark by 1.05% (after fees.) For the three-month period, the portfolio returned 5.43% (after fees) and outperformed its benchmark by 0.71%. For the full year, the portfolio returned 1.77% (after fees) and beat its benchmark by 1.40%. Since inception, the portfolio has returned 4.35% (after fees) and has outperformed its benchmark by 2.96%.

Key contributors

- Security selection in marine ports (–9.2% total return in the index): Our non-investment in India-based Adani Ports was beneficial; the stock was dragged down by a high-profile short report that primarily targeted its parent company, a non-infrastructure conglomerate. While some of

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the allegations against the parent company have merit, we have issues with a number of the short seller's conclusions; the marine port subsidiary is the least exposed to the issues raised in the report.

• Underweight allocation in electric utilities (–1.8%): We had no investment in a number of companies that lagged in the strong market.

• Stock selection and an overweight allocation in communications (7.5%): An overweight position in Spain-based Cellnex Telecom rose sharply on M&A rumours.

Key detractors

• Stock selection in airports (10.6%): Our lack of exposure to Aeroports de Paris and Germany-based Fraport was negative for performance; their shares advanced meaningfully with European markets.

• Overweight allocation to railways (–0.3%): Our overweight modestly detracted, as several companies in the sector provided what we believe to be conservative year-ahead forecasts.

• Stock selection in water utilities (2.5%): An overweight position in US-based Essential Utilities was a modest negative for relative returns; its shares underperformed more interest rate–sensitive peers.

Investment Outlook (Cohen & Steers commentary)

We continue to strive for a generally balanced portfolio as we monitor the impact of still-high inflation, central bank credit tightening and an uncertain outlook for global growth. In this environment, we favour higher-quality businesses that we feel are positioned to perform relatively well in an economic slowdown.

Higher interest rates and inflation may challenge certain subsectors. While inflation may have peaked, we believe it will remain elevated from a historical perspective. 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 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.

Greg Fleming, MA

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