Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – August 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 31 August 2022

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$55.76 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 August 2022

Application	1.0478
Redemption	1.0436

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 August 2022

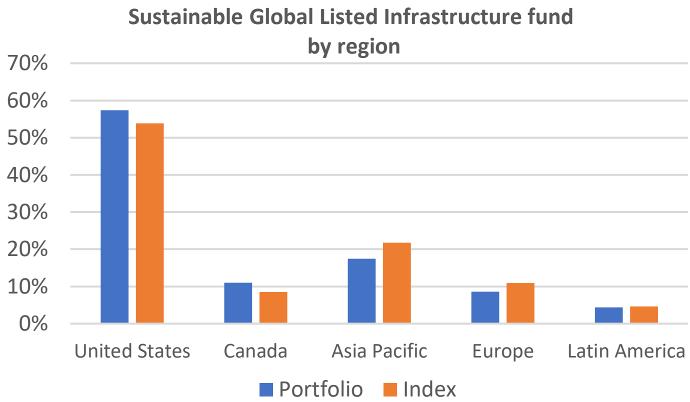
Global equities	98.8%
Cash and FX forwards	1.2%

Fund Performance to 31 August 2022

Period	Fund Return*	Benchmark Return
1 month	-1.75%	-0.90%
3 month	-1.48%	-1.34%
6 month	4.76%	5.21%
1 year	6.27%	6.07%
Since inception	6.72%	6.22%

*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 August 2022.

Fund regional weightings as at 31 August 2022*



Source: Cohen & Steers, Salt *data to 31 August 2022

Top 10 holdings	
NextEra Energy	American Electric Power
Transurban	CenterPoint Energy
American Tower	SBA Communications
Sempra Energy	NiSource
Norfolk Southern Rail	PPL Corp

The fund's top 10 holdings comprise 38.8% of the portfolio

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

Source: Cohen & Steers Quarterly Investment Report, 30.6.2022

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Market Review

After the significant market weakness experienced in both equities and bonds so far this year, which had paused in July month, August saw a resumption of nervousness across most key asset classes. Global interest rates erased most of their July rally, negatively impacting bond markets. Global listed infrastructure has continued to perform more strongly, given its inherent inflation protection and defensive characteristics.

- After a brief respite in July, equity and bond markets were rattled again in August as central banks renewed their respective commitments to bring inflation under control, despite the growing risks to the outlook for economic activity.
- The level of nervousness about the outlook for global growth remains high. This is especially the case in Europe as concern over the security of energy supplies intensifies on the back of the ongoing conflict in Ukraine.
- In the United States GDP June quarter data recorded a second consecutive quarterly decline, meeting the definition of a technical recession. However, given the narrowness of the weakness and the strength of other data, particularly the labour market, this is unlikely to be classified as an economic recession.
- US headline inflation appears to be past its peak; however, core inflation will remain more difficult to get under control, especially as the labour market remains strong. This saw Federal Reserve Chair Powell deliver a hawkish commentary at the monetary policy symposium in Jackson Hole, keeping alive the prospect of ongoing interest rate hikes by the FOMC, including the possibility of a third consecutive 75bp hike at its September meeting.
- Eurozone second-quarter GDP surprised on the upside but revealed marked divergences in performance amongst member states. Several countries (Spain, Italy) continue to benefit from the post-Covid bounce in services activity while Germany, heavily reliant on gas imports from Russia, stalled.
- In China, the domestic economy continues to struggle as ongoing Covid disruptions have morphed into disruptive weather events. July activity data was weak, with the service sector also losing momentum over the month. The People's Bank of China eased monetary conditions further and the State Council announced new fiscal stimulus measures.
- The unemployment rate in Australia dropped sharply, to 3.5%. This helps justify the Reserve Bank of Australia's early September interest rate hike of 0.5% to 2.35% - the highest since 2014.
- Headline Consumer Price Index inflation for the second quarter in Australia rose by 6.1% y/y while the core rate came in at 4.6%. The Reserve Bank of Australia hiked a further 50bp in August, signalling more to come.
- Inflation in New Zealand hit a fresh high of 7.3% in the year to June, higher than market and Reserve Bank expectations. The Reserve Bank of New Zealand still has work to do, especially considering the tightness in the labour market.

Portfolio Review

Listed infrastructure securities generally weakened in August but outperformed the broad equity market. Investor sentiment was negatively impacted by inflation and indications that aggressive central bank tightening would continue- exemplified by the Federal Reserve Chair's hawkish comments at the annual Jackson Hole conference. Global interest rates moved sharply higher, dragging down equities. Meanwhile, Chinese economic data (housing, retail sales and industrial production) weakened and global energy prices generally remained high. Most listed infrastructure subsectors posted negative returns during the month. Several utilities sectors were hurt by rising interest rates. Water utilities (-3.5% total return) in the US declined; these higher growth utilities tend to lag in a rising rate environment.

Gas distribution (-3.6%) declined due to concerns over the ability for companies to pass along higher prices to their customers, especially in Europe and Asia. Electric utilities (0.1%) performed relatively well given their defensive characteristics. The passage of the Inflation Reduction Act could also support certain utilities with renewables exposure.

Communications stocks (-5.8%) were pulled down in the risk-off environment. Higher growth US tower and data centre companies were negatively impacted by higher interest rates. Transportation-related sectors were mixed in August. Airports (2.9%) was the top performing sector; traffic volumes in Mexico remained elevated. Toll roads (-1.5%) were negatively impacted by rising rates and continued Covid restrictions in some parts of the world.

A number of commercial sectors rallied in August. Marine ports (2.8%) was one of the top-performing sectors, partially driven by strong returns from Santos Brasil. Brazilian markets recovered in August and Santos reported strong earnings. Railways (0.1%) outperformed, led by Brazilian rail company Rumo and several US railways. Midstream energy (-1.8%) gave back some of its year-to-date gains; while global natural gas prices remained high, the price of oil fell during the month.

Key contributors

• Out-of-index position in environmental services: A position in Waste Management contributed to performance. The company reported good second quarter earnings and has benefited from durable margins due to inflation protected contracts.

• Stock selection in midstream energy (-1.8% total return in the index): An overweight position in US-based Cheniere Energy, a natural gas and LNG distributor, contributed to performance; Cheniere has continued to benefit from exporting natural gas to Europe.

Key detractors

• Stock selection and an underweight position in electric utilities (0.1%): A lack of exposure to Adani Transmission, an Indian electric utility, detracted from performance; its shares rallied along with the overall Indian market as the country could be a beneficiary of companies diversifying out of China.

• Overweight position and stock selection in communications (-5.8%): Overweight positions in Spain-based Cellnex Telecom and American Tower detracted from performance. Their shares were negatively impacted by rising interest rates.

Investment Outlook (Cohen & Steers commentary)

We maintain a balanced portfolio amid elevated inflation, aggressive central bank tightening and moderating global growth. On the margin, we recently added exposure to several high-quality companies (principally freight rails and US towers) that we believe have solid growth potential in a weaker economic environment and have lagged year to date.

Among the portfolio's more defensive allocations, we remain overweight communications infrastructure and waste management, and we remain underweight utilities.

While higher interest rates and inflation may impact certain subsectors, infrastructure returns have historically shown positive sensitivity in inflationary environments. We expect persistent inflation and higher interest rates will remain important drivers of asset allocation decisions as the year progresses. Performance dispersion among infrastructure subsectors can be significant in challenging economic periods and amid rising bond yields. 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. Several significant transactions were recently announced or are pending across various subsectors and geographies. Although the pace of transactions may moderate, given some economic uncertainty, we generally expect this trend to continue, which may support listed infrastructure valuations.

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

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Greg Fleming, MA