Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – March 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 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 March 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$49.04 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 March 2024

Application	0.9850
Redemption	0.9809

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 March 2024

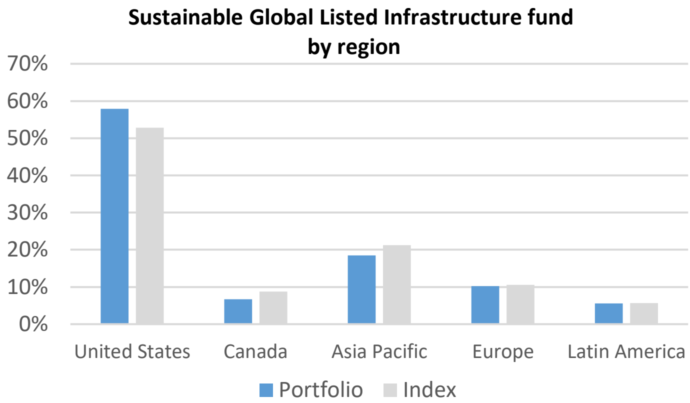
Global equities	98.36%
Cash, Short term, Sundry	1.64%

Fund Performance to 31 March 2024

Period	Fund Return*	Benchmark Return
1 month	4.17%	3.57%
3 month	4.30%	2.92%
6 month	14.64%	11.91%
1 year	5.12%	3.41%
2 years p.a.	0.00%	-1.94%
Since inception p.a.	3.67%	1.46%

*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 31 March 2024.

Fund regional weightings as at 31 March 2024*



Source: Cohen & Steers, Salt *data to 31 March 2024

Top 10 holdings	sector		sector
American Tower	Towers	Cheniere Energy	Midstream
NextEra Energy	Electric	Transurban	Toll Roads
TC Energy	Midstream	PG&E	Electric
NiSource	Gas distribution	Norfolk Southern	Freight Rail
PPL	Electric	Public Service Enterprise Group	Electric

The fund's top 10 holdings comprise 37.8% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 31 March 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.58	6.40
MSCI ESG score	6.35	6.30

Source: Cohen & Steers Investment Report, March 2024

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Market Review

Listed infrastructure stocks rallied further in March, following a February positive return that offset the weak month's return in January, as interest-rate sensitive assets continued responding uncertainly to an increase in bond yields and investors became more realistic about interest rate cuts to expect from central banks. The Fund performed above the Index for March month, outperforming by 0.6%. For the three months to March, the fund outperformed its benchmark by 1.37%. The fund was strongly ahead of its benchmark over the last six months (leading by +2.75%) and over the last year (outperforming by +1.71%.) Over the last two years, the fund has remained comfortably ahead of its benchmark.

- The first quarter of 2024 was a positive period for equity markets as activity data around the world was supportive of a soft landing. In response, developed market equities rose 9.0% (in USD) over the quarter. A 5% fall in NZD/USD boosted unhedged returns in Q1 2024.
- It was a more challenging period for bond investors as the resilient growth along with sticky inflation prints and a less dovish Federal Reserve saw the global aggregate bond index returning -2.1% (in USD) over the three-month period.
- The most obvious implication of the strong activity/sticky inflation scenario was reflected in the shift in market pricing of the number of US rate cuts expected in 2024. At the end of 2023 seven rate cuts were expected in the US in 2024. By the end of the quarter that had been brought into line with the Fed's "dot plot" of three cuts.
- The best performing equity market of the quarter was once again Japan, with the Topix up 18.1% over the three months. That's despite the Bank of Japan beginning normalisation of its monetary policy in March. The central bank announced the end of its negative interest rate policy, yield curve control, and its purchases of equity exchange traded funds and real estate investment trusts.
- Inflation in the Euro area continued its downward trajectory, coming in at 2.6% in February. The ECB left interest rates on hold in March, with President Lagarde saying the ECB was unlikely to be able to cut rates in April, though June remains live for a first cut.
- The Swiss National Bank became the first developed central bank to ease policy, surprising the market with a 25bps cut in its policy rate to 1.5%. This was in the context of inflation already having fallen back to below the central bank's 2% target. The annual rate of increase in headline inflation came in at 1.2% in February.
- The Chinese economy appears to be responding to recent stimulus. Official data on retail sales, industrial production and fixed asset investment for January and February beat expectations across the board.
- However, we continue to believe further stimulus will be required if the Chinese Government's official target of around 5% GDP growth in 2024 is to be met.
- In Australia, Q4 GDP data confirmed a subdued end to 2023. More recent partial indicators point to ongoing below-trend growth in early 2024. With the effects of tight monetary policy increasingly evident in activity data and inflation trending in the right direction, monetary policy is expected to remain on hold for the foreseeable future.
- In New Zealand, December 2023 quarter GDP came in at -0.1% q/q and -0.3% y/y. The economy has now contracted in four of the last five quarters. This justified the RBNZ's decision to keep rates on hold at its February Monetary Policy Statement, where it also signalled a reduced probability of future interest rate increases. We continue to believe the next move is a cut, but not until November.

Portfolio Review Q1 2024

Listed infrastructure closed out the first quarter on a positive note in March but lagged the broader equity market. Global stock markets posted strong gains for the quarter, with several key indexes reaching record highs.

Stronger-than-expected economic data continued to support a rosy outlook for global growth prospects, and the market rally broadened beyond its previously narrower technology-related focus. Corporate earnings were generally upbeat.

Interest rates rose, however, as inflation remained sticky and the expectation for rate cuts moved out to mid-year. Consequently, throughout the quarter, listed infrastructure was hampered by weak performance from certain rate-sensitive sectors.

Commercial infrastructure sectors posted strong gains amid a healthy growth outlook. Marine ports (20.4% total return) was the top-performing sector. Port operators benefited from strong container volumes as well as improving global growth prospects.

Midstream energy (7.0%) also solidly outperformed the broader infrastructure asset class. There was notable dispersion within midstream, however, as oil-focused operators delivered more robust financial guidance than gas-focused peers. Railways (4.7%) were strong, in part due to an activist investor initiating a proxy contest at one of the largest U.S. freight rail operators.

Passenger transportation–related sectors were mixed. Airports (5.5%) outperformed overall, driven by stock-specific factors. Certain European operators benefited from a faster-than-expected recovery in post-pandemic passenger numbers. Toll roads (–0.8%) declined as shares of an Australia-based company—the sector's largest index constituent- were hampered by higher interest rates.

Electric utilities posted gains while water, gas and communications lagged. Returns within electric utilities (2.9%) were boosted by investor excitement around the potential for certain utilities to potentially benefit from the increased electricity demand from data centres and their technology-focused customers. The persistence of higher interest rates continued to weigh on water utilities (–5.0%) and gas distribution companies (0.0%). The communications sector (–8.1%) performed poorly, as tower companies were negatively affected by higher rates and weak performance.

Portfolio performance

Key contributors

• Stock selection in marine ports (20.4% total return in the index): An overweight position in a Brazil-based port operator Santos Brasil was the largest contributor. The company posted better-than-expected results and remains well positioned to reap the benefits of an ongoing shortage in container terminal capacity in the region.

An overweight sector allocation also added to relative performance, as marine ports turned in the strongest returns in the index for the quarter.

• Stock selection in midstream energy (7.0%): An overweight in Targa Resources aided relative performance. Shares surged after the company announced that its full-year profits came in above expectations due to increasing demand and higher energy prices.

• Stock selection in gas distribution: An overweight position in NiSource, a U.S.-based gas utility company, helped relative performance. Shares rose after NiSource raised its 2024 full-year profit forecast.

Key detractors

• Stock selection in electric utilities (2.9%): Detractors included an overweight in PG&E. Despite reporting fourth-quarter earnings that exceeded expectations and raising its 2024 profit guidance, investors shied away after a California administrative law judge recommended that regulators reject PG&E's proposed plan to sell off a minority stake in its non-nuclear generation assets to raise capital.

• Overweight allocation in communications (–8.1%): Communications lagged as the prospect of lower interest rates was delayed. An overweight allocation in the sector, including an overweight position in American Tower, hurt relative results.

• Underweight allocation in airports (5.5%): A sector underweight was detrimental, as airports outperformed overall (due to a variety of stock-specific reasons).

Investment Outlook (Cohen & Steers commentary)

Despite recent economic strength, 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 that we are at an inflection point for power demand, as we see an increasingly important relationship between power generation, grid reliability and rapid data centre growth. Electric and gas infrastructure to support data centre demand will drive significant investment opportunities within the asset class.

The credit environment will likely remain challenging. Although interest rates moved lower in late 2023, our longer-term views remain unchanged. We continue to closely monitor the impact of 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 above-average inflation.