Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – October 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 October 2023

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$44.04 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 October 2023

Application	0.8850
Redemption	0.8813

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 October 2023

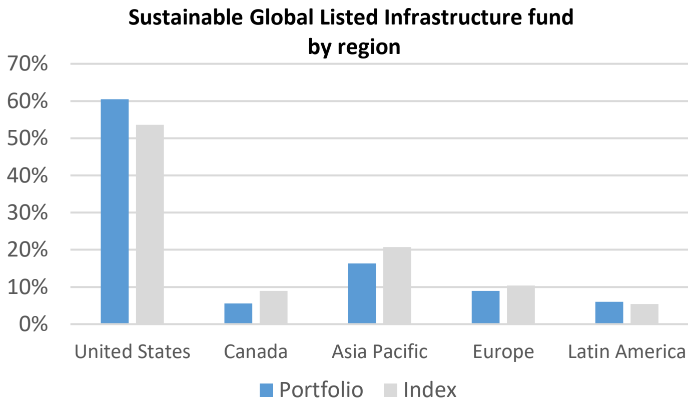
Global equities	97.80%
Cash and cash equivalents	3.20%

Fund Performance to 31 October 2023

Period	Fund Return*	Benchmark Return
1 month	0.43%	-1.15%
3 month	-8.78%	-9.48%
6 month	-9.96%	-10.57%
Year to date	-7.26%	-8.71%
1 year	-4.46%	-5.87%
Since inception p.a.	-1.74%	-3.86%

*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 October 2023.

Fund regional weightings as at 31 October 2023*



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

Top 10 holdings	sector		sector
NextEra Energy	Electric	PPL	Electric
American Tower	Towers	SBA Communications	Tower
TC Energy	Midstream	Exelon	Electric
Cheniere	Midstream	Sempra	Gas Distribution
Consolidated Edison	Electric	NiSource	Gas Distribution

The fund's top 10 holdings comprise 38.1% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 31 October 2023

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.7	6.4
MSCI ESG score	6.4	6.3

Source: Cohen & Steers Quarterly Investment report Q3 2023

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

Market Review

Listed infrastructure stocks declined modestly in October, though the Fund outperformed with a small positive gross return. The key macro themes for the month included rising global bond interest rates, putting pressure on other yielding assets, and reconsiderations of how soon central banks may begin easing monetary policy due to inflation pressure in core CPI measures around the world. Late in the month a more optimistic view emerged as central banks signalled progress in lowering inflation.

- Stocks and bonds fell in unison through October as geo-political tensions weighed on market sentiment following the start of Israel-Hamas hostilities. Bond yields rose sharply in response to buoyant economic data which supported the "higher for longer" mantra, coupled with rising concerns about fiscal sustainability. Developed market equities fell 2.9% (in USD) over the month while global bonds were down 1.2% (in USD) over the same period.
- In the United States, markets had to contend with the implications of a plethora of data pointing to the continued resilience of the US economy including strong retail sales, and blowout jobs and GDP reports. Inflation data also came in higher than expected. This resilience in the data suggests the US Federal Reserve may have to keep interest rates at these higher levels longer than investors were anticipating.
- Meanwhile, there are increasing signs of fragility across the Eurozone economies. Latest bank surveys by the European Central Bank highlight a contraction in the supply of credit to businesses and households over the September quarter. At the same time, forward looking indicators such as PMI surveys continue to weaken, with the composite index down a further 0.7 points to 46.5 in October.
- In Japan, 10-year Government Bond yields moved higher over the month as persistent price pressure led markets to question the ongoing sustainability of the Bank of Japan's Yield Curve Control Policy. Despite earlier attempts to defend it accommodative position, the BoJ made a further tweak to its YCC policy with the 1.0% upper limit now being referred to a "reference".
- Better looking industrial production, retail sales and GDP data out of China suggests policy easing efforts are starting to have some stabilising effect on the economy. However, continued weakness in the beleaguered property sector suggests the economy is not out of the woods yet and further policy easing and debt restructuring efforts will be required.
- The Reserve Bank of Australia left interest rates unchanged at the start of the month. This was the first meeting under new Governor Michele Bullock, so a semblance of continuity was not surprising. However, since then activity and inflation data have printed stronger than expected. That has led to the rising expectation over the month that the RBA will move back to interest rate increases at its November meeting.

Portfolio Review

Listed infrastructure declined in October but outperformed the broader equity market. The start to third-quarter earnings season for infrastructure companies was generally positive. Utilities and communications infrastructure were strong relative performers, partially due to their defensive characteristics and attractive valuations in an uncertain macro environment. Conversely, the airports sector was pulled down by regulatory concerns in Mexico.

Defensive regulated utilities outperformed. Electric utilities (0.5% total return1) and water utilities (0.9%) posted modest gains. Amid geopolitical unrest, higher-quality defensive utilities outperformed, overcoming higher interest rates. The gas distribution sector (1.0%) also gained, led by Japan-based companies that benefited from strong earnings reports.

Separately, communications companies (1.2%) rebounded, recouping some of their year-to-date losses. Better-than-expected earnings from a U.S.-based tower company supported the sector.

Commercial infrastructure sectors were mixed. Midstream energy companies (0.5%) had a positive start to earnings season. In addition, geopolitical risks put an upside view on commodity prices, and the sector remained well positioned given strong free cash flow and internal financing models. Marine ports (–4.3%), one of the best year-to-date performers, gave back a portion of their gains on little company-specific news. In railways (–1.6%), freight volumes were better than feared, but pricing hasn't kept up with inflation, leading to earnings pressures.

Passenger transportation–related sectors struggled. The airports sector (–8.8%) was hindered by Mexican airport operators. The country's regulator proposed lower tariffs for airports, which sent Mexican airport shares sharply lower, although the magnitude of the fee reduction is still being negotiated. Within toll roads (–5.7%), shares of an Australia-based company—the sector's largest index constituent—fell on sharply higher interest rates.

Portfolio performance in October 2023

Key contributors

• Stock selection in electric utilities (0.5% total return in the index): An overweight in U.S.-based PPL Corp. contributed to performance; the company benefited from its defensive characteristics and solid balance sheet.

• Stock selection in airports (–8.8%): A lack of exposure to Mexico-based Grupo Aeroportuario del Pacífico contributed to performance; the stock declined due to a proposal to reduce airport concession fees.

• Stock selection in communications (1.2%): An overweight position in U.S.-based American Tower contributed to performance, as its shares rallied on the back of a good earnings report.

Key detractors

• Stock selection in marine ports (–4.3%): An overweight in Santos Brasil negatively impacted performance. Its shares were weak, but on little company-specific news.

• Out-of-index position in transport logistics: A position in Australia-based Qube Logistics underperformed amid container volume concerns.

• Out-of-index position in environmental services: A position in Australia-based Cleanaway Waste Management declined along with the overall Australian market.

Investment Outlook (Cohen & Steers commentary)

We remain somewhat defensively positioned as we manage the portfolio for slower economic growth. 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 the credit environment will remain challenged. We continue to closely monitor the impact from 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 persistent inflation.