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

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$46.44 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 January 2024

Application	0.9282
Redemption	0.9244

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 2024

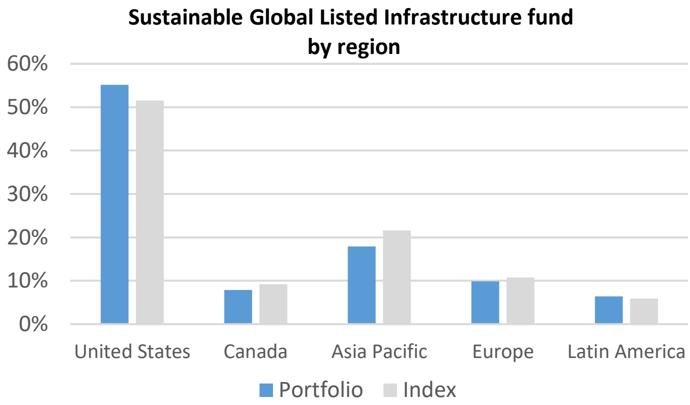
Global equities	97.22%
Cash	2.78%

Fund Performance to 31 January 2024

Period	Fund Return*	Benchmark Return
1 month	-1.95%	-1.69%
3 month	7.31%	8.14%
6 month	-2.12%	-2.11%
1 year	-3.12%	-2.79%
2 years p.a.	0.04%	-1.22%
Since inception p.a.	1.32%	-0.33%

*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 January 2024.

Fund regional weightings as at 31 January 2024*



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

Top 10 holdings	sector		sector
American Tower	Towers	PG & E	Electric
TC Energy	Midstream	Norfolk Southern	Freight Rails
NiSource	Gas Distribution	PPL	Electric
Cheniere	Midstream	Sempra Energy	Gas Distribution
NextEra Energy	Electric	Public Service Enterprise Gp.	Electric

The fund's top 10 holdings comprise 34.9% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 31 January 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.59	6.41
MSCI ESG score	6.39	6.30

Source: Cohen & Steers Year End Investment Report December 2023

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Market Review

Listed infrastructure stocks slipped back in January, following strong returns in November and December, as interest-rate sensitive assets responded to an increase in bond yields as investors became more realistic about interest rate cuts from central banks.

The Fund performed below the Index for January month, lagging by -0.26%. For the three months to January, the fund lagged its benchmark by -0.83%. The fund was in line with its benchmark over the last six months. However, over the last two years, the fund has remained comfortably ahead of its benchmark. For the two-year period to January, the Fund gained 0.04% per annum (gross) compared to the -1.22% p.a. benchmark Index decline.

- After a strong December month, markets were more circumspect in the New Year. Strong activity data, particularly in the US, was received favourably by equity markets, but that came with push-back from central banks of early expectations of rate cuts, which wasn't viewed favourably by fixed income markets. Developed market equities rose 1.2% (in USD) over the month while the global aggregate bond index was down by -1.4% (also in USD).
- In the US, data was more in line with a "no landing" than a "soft landing" scenario. The first estimate of December 2023 GDP data was exceptionally strong (+3.3%, q/q annualised), as was the December labour market report (unemployment rate unchanged at 3.7%). The euphoria was tempered somewhat later in the month by a hawkish tone to the Fed's January statement.
- The European Central Bank left interest rates unchanged in January and reiterated they would remain data dependent. That was followed by the composite purchasing managers index (PMI) rising to 47.9 in January. That's its highest level in three months, but still well below the benchmark 50 that separates expansion from contraction.
- In Japan, the TOPIX was the best performing major equity market over the month. This was helped by the Bank of Japan leaving monetary policy unchanged amid speculation (including ours) that we would soon see an end to their Negative Interest Rate Policy (NIRP) and Yield Curve Control (YCC). That now appears more likely in April.
- In China, December 2023 quarter GDP growth came in at 5.2% y/y, broadly in line with expectations but soft relative to history. Partial activity data also remained weak. The PBoC continued to add stimulus over the month, but this remains largely reactive and somewhat timid. We expect a fiscal package to support consumption in the next few months.
- In Australia, December 2023 quarter inflation came in below expectations at both the headline and core (trimmed mean) level. This followed weaker-than-expected retail sales and employment data. This combination of news means the RBA is more-than-likely done with interest rate hikes and will adopt a neutral bias at its February meeting.

Portfolio Review

Listed infrastructure declined in January and underperformed the broader equity market. Global equities rose as growth prospects continued to improve, supported by encouraging macroeconomic data. However, as growth and labour demand exceeded expectations, interest rates crept higher. Consequently, listed infrastructure was held back by weaker performance from certain rate-sensitive subsectors. Communications and utilities struggled, while marine ports and railways posted positive returns.

Communications lagged as the prospect of lower interest rates was delayed. Communications companies (–7.0% total return) trailed despite a strong start to earnings season, although some of the underperformance was simply the sector giving back a portion of its strong gains from November and December. Elevated interest rates also weighed on regulated utilities; water utilities (–3.8%), gas distribution (–2.2%) and electric utilities (–2.0%) all underperformed.

Passenger transportation–related sectors were down. The airports sector (–1.2%) saw profit-taking in Mexican airports that had surged in December after favourable resolution to a regulatory issue. Within toll roads (–1.9%), China-based stocks were resilient amid continued hopes for fiscal stimulus, but the sector declined overall, as shares of an Australia-based company—the sector's largest index constituent—were hampered by higher interest rates.

Commercial infrastructure sectors outperformed on the prospect of an economic "soft landing."

Marine ports (5.7%) posted the most significant gain for the month. A large Indian port operator, the biggest component in its subsector, posted double-digit gains; the company was boosted by strong cargo volumes, solid earnings, and continued outperformance of the Indian market. Railways (0.7%) rose modestly despite mixed earnings updates. Midstream energy (–0.7%) posted a negative return but outperformed the broader infrastructure segment as continued uncertainty in the Middle East seemed to support crude prices.

Portfolio performance in January 2024

Key contributors

• Security selection in gas distribution (–2.2% total return in the index): The portfolio had an overweight investment in Hong Kong-based ENN Energy Holdings, which investors likely viewed as a China "safe haven," given its strong free cash flow and the stability of its dividend.

• Stock selection in toll roads (–1.9%): An out-of-index investment in a Chinese toll road operator contributed to relative performance. Despite a challenging macro environment in the country, optimism around fiscal stimulus buoyed the shares.

• Stock selection in midstream energy (–0.7%): An overweight position in a Canada-based oil and gas pipeline company aided relative performance; the stock outperformed the sector, recouping some of its 2023 underperformance.

Key detractors

• Stock selection in electric utilities (–2.0%): An out-of-index position in a U.S.-based diversified energy company detracted. Shares retrenched on profit-taking after posting strong gains in December following a favourable regulatory outcome to a rate case. A holding in a Portugal-based electric utility also proved detrimental to relative performance; concern over weak power prices in Europe weighed on the stock.

• Stock selection in marine ports (5.7%): Not owning large Indian port operator Adani Ports detracted from relative performance. The stock posted double-digit gains, boosted by strong cargo volumes, earnings and continued outperformance of the Indian market.

• An overweight position and stock selection in communications (–7.0%): As interest rates increased, communications stocks gave back some of their recent outperformance. An overweight allocation in the sector, including an overweight position in the largest index constituent, hurt relative performance.

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 the credit environment will 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.