Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – December 2021

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 December 2021

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$54.65 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 December 2021

Application	1.0613
Redemption	1.0570

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 December 2021

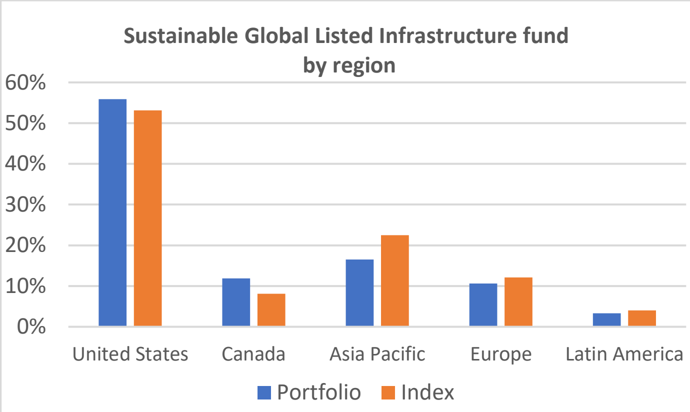
Global equities	98.30%
Cash	1.70%

Fund Performance to 31 December 2021

Period	Fund Return*	Benchmark Return
1 month	6.16%	6.62%
3 month	8.06%	7.56%
Since inception	5.43%	4.50%

*Performance is after fees and does not include imputation credits or PIE tax.

Fund regional weightings as at 31 December 2021*



Source: Cohen & Steers, Salt *data to 31 December 2021

Top 10 holdings	
NextEra Energy	Transurban Group
American Tower	Duke Energy
Norfolk Southern	American Electric Power Co.
Canadian National Railway	SBA Communications
Enbridge	Cheniere Energy

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.4	6.3
MSCI ESG score	6.0	5.9

Source: Cohen & Steers Quarterly Investment Report, Q4 2021

Market Review

Developed market equities continued to rally across the final quarter of the year, with a fresh uptick in the latter part of December. Strong earnings growth drove equities higher over the quarter, despite fresh volatility as news broke of the emergence of the new Omicron variant of Covid-19. Markets quickly recovered however, as early indications suggested Omicron was less likely to lead to serious illness. The jury is still out on the full implications of Omicron. In general, solid earnings reports plus the prospect of continued, albeit lower, earnings growth in 2022 proved sufficient to negate risk factors. The MSCI World Index rose 7.6% (in USD) over the quarter to up 20.4% over the year.

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Sovereign bonds rallied during the quarter but ended generally flat as central banks turned more hawkish.

Listed infrastructure generated strong returns in 2021, as did the broad global equity market. Vaccine rollouts continued global growth, expectation-beating corporate earnings, and overall robust demand propelled the equity market sharply higher during the year. These factors more than offset the effects of CoVid, elevated inflation, rising interest rates, and the prospect for tighter monetary policy in 2022.

All listed infrastructure subsectors generated positive returns during the year, with the majority posting double-digit gains. In the Fourth Quarter, the only sectors losing ground were passenger rail, satellites and marine ports.

The resilient global economy rewarded the recovery trade, leading to outsized gains in several sectors. **Marine ports** (39.0% total return for the full 2021 year) overcame supply chain constraints and port bottlenecks to post the strongest sectoral returns during the year. In our view, the sector will continue to benefit from strong global economic activity, and supply chain challenges will result in an elongated cycle for these businesses. **Midstream energy** (32.1% for 2021) also outperformed, as sharply higher energy prices and the prospect of increasing energy demand drove returns. In addition, improving financial discipline has led to higher free cash flows for several midstream companies.

Growth-oriented communications companies generated strong returns. Communications (28.2% for 2021) benefited from strong demand and improving fundamentals. We maintained a preference for U.S.-focused tower companies which are positioned to benefit the most from network capital spending by U.S. wireless companies. **Utilities** overcame a slow start to the year. After lagging earlier in the year, defensive electric utilities (15.7%) and water companies (18.8%) later rallied sharply, especially in the US. In both cases, they benefited from increased demand during periods of uncertainty triggered by the pandemic. In contrast, gas distribution (8.9%) was a relative underperformer in 2021. This was mainly due to weak returns from non-US companies, such as those in Japan and China, which lagged in response to higher input costs and lower margins.

Railways (15.1%) rose sharply as freight rails reported solid results. Freight rail earnings largely exceeded expectations, with positive results partially driven by cost-cutting, efficiency gains and improved pricing, all of which more than offset concerns over moderating volumes towards the end of the year. By contrast, **Passenger travel sectors underperformed due to Covid-driven headwinds.** Toll roads (5.8%) and airports (8.2%) were relatively weak during the year. The pandemic played havoc with passenger volumes and pushed out the timeframe for a sustained recovery in business and leisure travel.

Portfolio Review

From its August 19, 2021 inception through December 31, 2021, the portfolio had a positive total return and outperformed its benchmark. For the December Quarter, the fund rose by 8.06% net which was a solid outperformance of the gross index return of 7.60% for the period. The Salt fund has thus outperformed its gross benchmark by 0.93% and the net benchmark by 0.69% since its inception five months ago. Over those months, the fund returns were positive in August, October and especially, December, while negative monthly returns were recorded in September and November. This was in line with broader world markets.

Key contributors

• Security selection in **midstream energy**: Overweights to several US-based midstream companies were rewarded, as they continued to indirectly benefit from advantageous supply/demand trends for energy commodities

• Security selection in **gas distribution**: An overweight to an Asian gas distribution company was rewarded. Its shares rallied after a recent selloff; the company reiterated its guidance, alleviating growth concerns. A lack of exposure to a Chinese gas distribution company was also beneficial. The company is reducing capital expenditures (and growth expectations) in favour of increased spending on safety measures following explosions at several of its assets in recent months.

Key detractors

• Stock selection in **railways**: An overweight position in a Japanese passenger railway company detracted from performance. Its shares were negatively impacted by falling passenger volumes due to delta and omicron variant-related reopening delays. However, an overweight to the railways sector was beneficial for returns.

• Stock selection in **water**: Our overweight position in a British water utility company was a drag on returns. An overweight in a China-based water utility detracted from performance. The company, which provides water services to Hong Kong, lagged along with certain other defensive stocks in our investment universe.

• Stock selection in **airports**: A lack of exposure to a Mexican airport operator was negative for performance as its shares rallied sharply. An overweight in a Spanish airport operator also detracted. The company's shares declined after it lost a court case regarding the minimum annual guarantee it receives from retail shops in its facilities.

Portfolio Outlook (Cohen & Steers commentary)

We maintain a balanced portfolio, as the world faces potential tailwinds and headwinds in 2022. We appear to be entering the late stage of the pandemic, and people are adapting to the challenges associated with CoVid. In our view, this will limit the type of mass lockdowns we saw during the onset of the pandemic. Within the portfolio's **more defensive allocations**, we remain **overweight communications** infrastructure, matched with an underweight in global utilities. Among transport-related infrastructure, we prefer North American freight railways based on our expectations for improving freight volumes. We remain **underweight airports**, but we see some attractive opportunities given the view that vaccine distribution and evolving travel policies will drive a sustainable increase in air travel over the next six to twelve months. Listed infrastructure appears attractively priced relative to broader equities. On a cash flow multiple basis, listed infrastructure currently trades roughly in line with global equities—in sharp contrast to the asset class's historical premium valuation. This mispricing occurs at a time, we believe, when infrastructure is well positioned to benefit from continued strong economic conditions and strong inflation protections. Longer term, secular trends such as the digital transformation of economies and the transition to clean energy will potentially be significant drivers of infrastructure returns.

While higher interest rates and inflation may impact certain subsectors in the near term, infrastructure returns have historically shown positive sensitivity to unexpected inflation. As the global economy continues to improve- albeit at a moderate pace—we are keeping a close eye on inflation and interest rates, which will be important drivers of asset allocation decisions in 2022. Improving supply chain conditions should lead to decelerating inflation, but tightening monetary policy will still be a key theme going forward. Performance dispersion among infrastructure subsectors can be significant in periods of economic recovery and rising bond yields; however, 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 believe a strong trend of private investor interest in acquiring listed infrastructure assets will continue. A flurry of activity has occurred this year, with a number of significant deals currently pending across various subsectors and geographies.

We expect to see this trend continue going forward into 2022.

Greg Fleming, MA