Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – April 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 30 April 2023

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$49.68 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 April 2023

Application	1.0068
Redemption	1.0027

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 30 April 2023

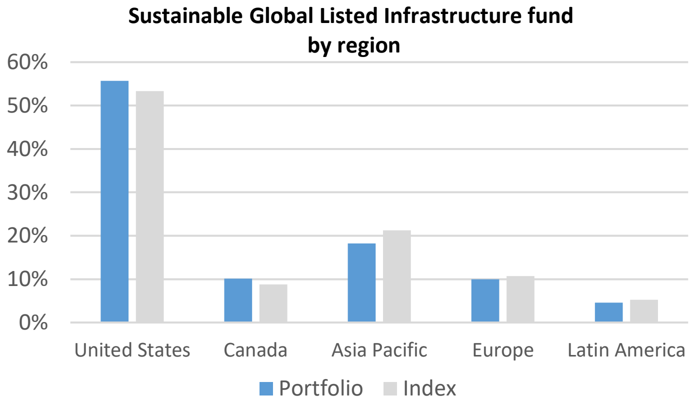
Global equities	97.2%
Cash and cash equivalents	2.8%

Fund Performance to 30 April 2023

Period	Fund Return*	Benchmark Return
1 month	2.16%	2.16%
3 month	-0.08%	0.52%
6 month	5.35%	5.27%
1 year	-1.71%	-2.95%
Since inception p.a.	2.51%	1.53%

*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 30 April 2023.

Fund regional weightings as at 30 April 2023*



Source: Cohen & Steers, Salt *data to 30 April 2023

Top 10 holdings	sector		sector
NextEra Energy	Electric	Canadian Pacific Kansas City Rail	Freight Rail
Sempra	Gas Dist.	Aeroportuario De Sureste-B	Airports
Transurban	Toll Roads	Xcel Energy	Electric
National Grid	Electric	SBA Communications	Towers
PPL	Electric	Exelon	Electric

The fund's top 10 holdings comprise 35.7% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 30 Apr. 2023

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.67	6.46
MSCI ESG score	6.33	6.36

Source: Cohen & Steers Monthly Investment Report 30 Apr. 2023

Market Review

April month saw stocks edging higher despite periods of heightened volatility. Global markets overcame uncertainty over economic growth, still-elevated inflation, central bank policy and banking industry turmoil to post positive returns for the first quarter. This strength was partially catalysed by sharply lower interest rates and expectations for reduced monetary tightening going forward. Infrastructure rallied accordingly.

The global infrastructure benchmark gained 2.16% for the month, and the Salt Sustainable Global Infrastructure Fund rose 2.28% (after fees.) For 2023 Year-to-Date the Fund has gained 2.8% (after fees) and is ahead of its benchmark by 0.7%. Since inception, the Fund has outperformed its benchmark by a pleasing 1.1% per annum (after fees.)

Over the last year, infrastructure has continued to perform more stably than broader equity markets, with the Salt fund logging a one -year return of -1.7% (after fees) which was 1.2% ahead of benchmark. Going forward, global listed infrastructure is favoured due to its inherent inflation protection and defensive characteristics, and to large-scale works projects around the world, particularly in the energy transition domain, but also in transportation.

- Global economic news remained generally positive in April, again highlighting the resilience of growth to higher interest rates. Purchasing Manager Indices (PMIs) beat expectations in the United States and the eurozone, while better-than-expected GDP growth in China also aided the story of positive economic momentum. Developed market equities rose 1.8% (in USD) over the month.
- Headline inflation continued to moderate over the month as energy prices continued to fall. OPEC announced a cut in production aimed at stabilising prices, but when compared with significantly higher prices last year, energy prices should still contribute to lower inflation over the next few months.
- Core services inflation continues to prove sticky. Despite that, we believe we are close to a pause in the hiking cycle amongst the major central banks. The Reserve Bank of Australia hit the pause button in April, though signalled more tightening was likely. The Reserve Bank of New Zealand is also close to pausing. Global bonds returned 0.4% (in USD) over the month.
- In the US there were further signs of cooling in the labour market as the monthly gains in non-farm payrolls continued to moderate, the unemployment rate rose to 3.5% and wage growth moderated to an annual rate of 4.2%. Markets are pricing a final 25bp hike in the fed funds rate in May, followed by a pause. Interest rate cuts are expected before the end of the year, which we believe is too early. However, much will depend on ongoing stresses in the financial sector.
- Activity data continued to surprise to the upside in April. While the economy skirted the expected recession expect at the end of 2022, that just means the European Central Bank has more work to do to slow demand. Markets are pricing a further 75bps of hikes by the ECB.
- China activity data released over the month confirmed the expected reopening "bounce". GDP data for the March quarter and retail sales for the March month both came in stronger than expected. But despite the better data, the local equity market continues to suffer from ongoing geo-political tensions.
- March quarter inflation data in Australia was largely in line with expectations and confirms that inflation peaked at the end of 2022. However, we believe the split between goods and services inflation was cause for concern. While the annual rate of goods inflation slowed sharply, services prices rose. This suggests that despite the pause in the rate hiking cycle early in the month, the RBA still has more work to do.
- Despite clear and obvious signs of a slowing domestic economy, the RBNZ surprised markets with a hawkish 50bp hike in the Official Cash Rate, taking it to 5.25%. Later in the month March quarter inflation printed significantly lower than market and RBNZ expectations, though the important tradeables component was only marginally lower than expected. Markets are current pricing a likely final 25bp increase in the OCR to 5.5% in May.

Portfolio Review

Infrastructure stocks advanced in April. Economic data was mixed, inflation fell but remained high, and interest rates were somewhat volatile during the month. Economically sensitive sectors advanced despite an uncertain growth outlook. Marine ports were among the top performers, along with Toll Roads. There has been significant dispersion of subsector returns in 2023, and also divergent returns amongst various geographical regions. Europe and Latin America have outperformed other regions this year, as somewhat brighter assessments on global growth and on interest rates aided returns.

Utilities and communications were primarily driven by company-specific factors. Electric utilities (2.5%) outperformed after lagging earlier in the year. Shares of The Southern Company, one of the largest constituents in the sector, rallied as it made progress in the opening of its nuclear plant in Georgia. Gas distribution (1.8%) underperformed; smaller-cap U.S. companies were laggards, while China gas utilities struggled amid uninspiring earnings. Water utilities (0.2%) were flat, whereas communications (-0.6%) declined, partially due to weak earnings by U.S. tower company Crown Castle International.

Passenger transportation-related sectors were mixed. Toll roads (5.1%) were a top-performing sector, led by several French names, as one company reported significantly better-than-expected results. Brazilian toll road operators benefited from expectations for central bank easing. Airports (0.6%) lagged as Mexican operators gave back some of their earlier gains, despite reporting strong earnings.

Portfolio performance

The portfolio had a positive total return for the month, in line with its benchmark (after fees) at 2.16% and for the year to 30 April, outperformed its benchmark by 1.24% (after fees.)

Key contributors to 2023 Year-to-Date performance

• Security selection in marine ports (added 54bps): The portfolio had no allocation to India-based Adani Ports, which fell sharply following a high-profile short seller report.

• Stock selection and timing of our allocations in communications (+48 bps): Contributors included an overweight in Spain-based Cellnex Telecom that rose on takeover speculation, and underweight Crown

Castle International Corp.as weak new leasing results and lower revenue growth in the first quarter hindered the stocks' performance.

• Security selection in toll roads: Out-of-index positions in France-based Vinci and Eiffage helped, as the former reported solid earnings, which also lifted shares of the latter during the month.

• Out-of-index allocation in transport logistics: Our out-of-benchmark position in Qube Holdings, which had been weak earlier in the year, rose on a recovery of container volumes.

Key detractors

• Stock selection in airports: An overweight position in Mexico-based airport operator Grupo Aeroportuario del Pacifico declined after sharply rallying early in the year.

•Overweight allocation in railways: The portfolio's overweight in the sector modestly detracted from relative performance. However, favourable stock selection in the sector largely offset this negative.

• Stock selection in water utilities: An overweight position in US-based Essential Utilities underperformed; its shares were dragged down by concerns over the company's 2023 guidance amidst mild weather.

Investment Outlook (Cohen & Steers commentary)

We remain focused on maintaining a generally balanced portfolio given the impact from entrenched inflation, central bank monetary tightening and the uncertain outlook for global growth. In this environment, we favour higher quality businesses that we believe are positioned to perform relatively well in a below-trend growth environment.

Challenges in the US banking industry could weigh on the economy. Issues in the industry may persist, but we do not believe there is systemic risk to the global economy, as larger banks are well-capitalized and have diversified deposit bases. That said, we expect to see a more challenging credit environment.

In particular, we are carefully monitoring the repercussions of higher financing costs and tighter financial conditions and their potential impact on earnings and cash flows across the infrastructure universe. We favour investments in companies that have strong balance sheets with limited near-term maturities and manageable refinancing schedules.

Persistent inflation and "higher for longer" interest rates may challenge certain sectors. While inflation is expected to moderate, we believe it will remain elevated from a historical perspective. Most infrastructure businesses can generally pass rising costs along to consumers; as a result, they have tended to perform well during periods of unexpected inflation.

Greg Fleming, MA