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

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$48.28 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 March 2023

Application	0.9855
Redemption	0.9815

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 2023

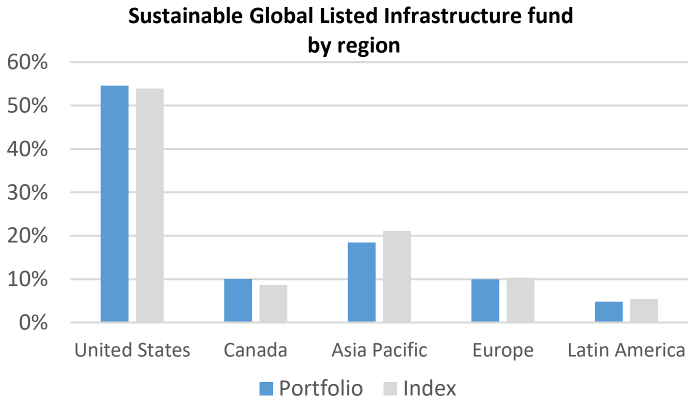
Global equities	97.8%
Cash and cash equivalents	2.2%

Fund Performance to 31 March 2023

Period	Fund Return*	Benchmark Return
1 month	1.29%	2.37%
3 month	0.35%	-0.09%
6 month	6.33%	6.24%
1 year	-6.27%	-7.03%
Since inception p.a.	1.27%	0.26%

*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 31 March 2023.

Fund regional weightings as at 31 March 2023*



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

Top 10 holdings*	sector		sector
NextEra Energy	Electric	Canadian Pacific Railway	Freight Rail
CSX Corp.	Freight Rail	National Grid	Electric
Sempra	Gas Dist.	Exelon	Electric
Aeroportuario De Sureste-B	Airports	PPL	Electric
Transurban	Toll Roads	Union Pacific	Freight Rail

The fund's top 10 holdings comprise 35.4% of the portfolio.

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.7	6.5
MSCI ESG score	6.3	6.4

Source: Cohen & Steers Quarterly Investment Report 31 Mar. 2023

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

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Market Review

March month and quarter 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.

The global infrastructure benchmark declined -0.1% for the quarter, and the Salt Sustainable Global Infrastructure Fund rose 0.35% (after fees.) Over the last year, infrastructure has continued to perform more resiliently than broader equity markets, with the Salt fund logging a one -year return of -6.27% (after fees) which was 0.7% 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 growth has generally surprised to the upside in the first quarter of 2023. This has largely been enabled by lower energy prices (including oil) and has been reflected in upbeat purchasing manager indices (PMI), particularly in Europe and the United States.
- Reflecting the lower energy prices, headline inflation rates continued to ease over the quarter, though in line with our long-held view, core inflation remains stickier. As a result, central banks continued to tighten monetary policy over the period.
- The collapse of Silicon Valley Bank and problems in several finance firms along with a swift response from policy makers set off a wave of finance sector volatility during the quarter. We do not see these issues as systemic, or signalling any kind of generalised finance sector malaise, but rather as symptomatic of idiosyncratic factors relevant to each institution. That said, it serves to illustrate the lags between monetary policy actions and their impact being felt is just as relevant to the finance sector as it is to the real economy.
- In the US, the labour market remains particularly resilient. The economy added 815,000 jobs in the first two months of the year, though the unemployment rate ticked higher in February and wage growth is moderating. The Federal Reserve hiked 25bp in March to a target range of 4.75%-5.00% but left the projected terminal rate at 5.1%.
- Despite the finance sector turmoil, the European economy continued to benefit from lower energy prices, avoiding the much-anticipated contraction in activity expected for the fourth quarter of 2022. Headline inflation fell over the quarter, but core inflation rose. The ECB hiked its deposit rate by 50bp, with the next move data dependent.
- The abandonment of China's Covid-zero policy has led to a sharp rebound in economic activity, while inflation has remained surprisingly in check. 2023 is the first time in four years that economic, regulatory and Covid policies have been aligned in a pro-growth, pro-business fashion. This is being reflected in improving PMIs that are all in expansionary territory.
- Recent data out of Australia has been mixed with GDP surprising to the downside, but the labour market continuing to surprise on the upside. The RBA hiked interest rates by 25 bp in February, but paused the hiking cycle, in their April meeting.
- In New Zealand, the RBNZ remained resolute in raising the Official Cash Rate 50bp to 4.75% in February and again to 5.25% in April. That was despite the devastation of cyclone Gabrielle. December quarter 2022 GDP came in significantly weaker than expected. While possible still reflecting Covid "noise", there are clear signs in the data that tighter monetary conditions are starting to bite.

Portfolio Review

Infrastructure stocks stabilised in March. Most listed infrastructure subsectors posted negative returns for the month. Somewhat brighter assessments on global growth and interest rates aided returns.

Passenger transportation–related sectors were the top performers on improved global growth expectations. Airports (12.6% total return) rose sharply, led by strong returns from Mexican and European operators. Mexican passenger volumes remained robust, while Europe's economic outlook improved. Toll roads (7.1%) were aided as shares of an Australia-based company, the largest constituent in the sector, rallied. It benefited from solid results, higher-than-expected distribution guidance and falling interest rates..

Utilities lagged despite a sharp decline in long-term interest rates. Electric utilities (–2.2%) and water utilities (–1.4%) were weak despite falling rates and the companies' defensive characteristics. The geographically diverse gas distribution sector (0.3%) underperformed as several Chinese companies declined on lacklustre earnings.

Communications (–0.3%) was relatively flat due to disappointing guidance from U.S. tower companies. However, the tempered outlooks were largely offset by positive performance in March, when interest rates declined meaningfully.

Several sectors were hurt by the uncertain growth outlook. Marine ports (–5.9%) were mixed. A number of companies' share prices rose amid China's reopening. However, the sector as a whole was dragged lower as an India-based company fell sharply due to a high-profile short seller report in January. (The report primarily targeted its parent company, a non-infrastructure conglomerate.) A portion of the company's losses were recouped in March. Railways (–2.3%) underperformed due to disappointing earnings from U.S. freight rail companies and weaker freight volumes. Safety questions plagued one North American freight rail operator after a February derailment, and this also weighed on the sector. Midstream energy (–1.4%) fundamentals remained solid, but the sector lost some of its momentum due to softer natural gas prices and recession concerns.

Portfolio performance

The portfolio had a positive total return for the month and quarter to 31 March and outperformed its benchmark by 0.44% (after fees) for the three months. For the full year, the portfolio returned -6.27% (after fees) and beat its benchmark by 0.76%. Since inception, the portfolio has returned 1.27% p.a. (after fees) and has outperformed its benchmark by 1.01% p.a.

Key contributors

• Security selection in marine ports (–5.9% total return in the index): The portfolio was underweight India-based Adani Ports, which fell sharply following a high-profile short seller report in January.

• Stock selection and timing of our allocations in communications (–0.3%): Contributors included an overweight in Spain-based Cellnex Telecom that rose on takeover speculation.

• Stock selection in airports (12.6%): Mexico-based Grupo Aeroportuario del Pacifico was positive for performance; its shares rose as passenger volumes continued to exceed expectations.

Key detractors

• Security selection in toll roads (7.1%): A lack of exposure to Brazil-based Cia De Concessoes Rodoviaria detracted; its share rallied in the lower-rate environment.

• Stock selection in railways (–2.3%): An overweight position in CSX was negatively impacted by disappointing volumes during the quarter.

• Stock selection in water utilities (–1.4%): An overweight position in U.S.-based Essential Utilities underperformed; the company's shares were likely used as a funding source when its closest peer issued a large amount of equity.

Investment Outlook (Cohen & Steers commentary)

We maintain a generally balanced portfolio as we the repercussions from persistent 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. While issues in the industry may persist, 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 financial conditions to be less accommodative given tighter lending standards and the rising cost of capital.

Stubborn inflation and "higher for longer" interest rates may challenge certain subsectors. Although inflation is expected to lessen in the coming months, we believe it will remain elevated from a historical perspective. Most infrastructure businesses can generally pass rising costs along to consumers; as a result, the companies have tended to perform well during periods of high or unexpected inflation.

We expect private investor interest in acquiring listed infrastructure assets to continue despite higher interest rates. Several significant transactions are pending across various subsectors and geographies. Although the pace of transactions has moderated given the cost of capital, we generally expect this trend to continue over time, which may support listed infrastructure valuations.

Greg Fleming, MA