Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – May 2022

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 May 2022

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$56.42 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 May 2022

Application	1.0636
Redemption	1.0593

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 May 2022

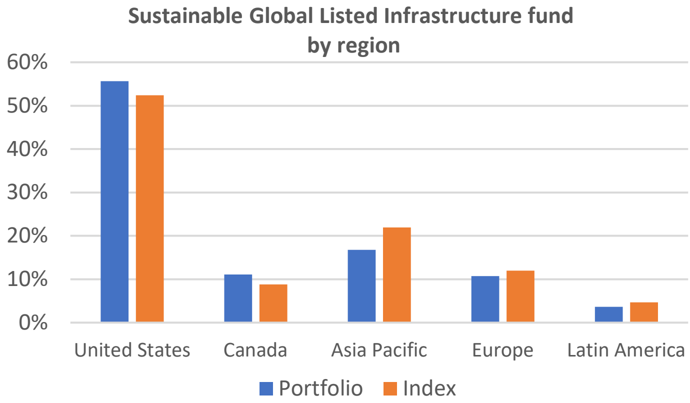
Global equities	98.0%
Cash and FX forwards	2.0%

Fund Performance to 31 May 2022

Period	Fund Return*	Benchmark Return
1 month	2.12%	1.82%
3 month	6.34%	6.65%
6 month	8.58%	9.78%
Since inception	8.33%	7.60%

*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 May 2021.

Fund regional weightings as at 31 May 2022*



Source: Cohen & Steers, Salt *data to 31 May 2022

Top 10 holdings	
NextEra Energy	Sempra Energy
American Tower	Norfolk Southern
Transurban	American Electric Power
Enbridge	CenterPoint Energy
Duke Energy	Wisconsin Energy

The fund's top 10 holdings comprise 37.0% of the portfolio

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.45	6.41
MSCI ESG score	5.97	6.04

Source: Cohen & Steers Quarterly Investment Report, 31.3.2022

Market Review

- Global equity markets ended May broadly flat, though it was a round-about journey getting there with significant intra-month volatility. Key macro risks remain at the forefront, including war in Ukraine, weak data out of China, and further tightening in monetary policy. Markets still lack a catalyst for a change in sentiment.

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

- Central banks continue to play catch-up with inflation, which is contributing to growing risks to growth, though those risks remain greater in Europe than the United States. Labour markets remain tight but negative real wage growth continues to squeeze household incomes. Margins are coming under pressure, especially for consumer-facing companies, with pricing power becoming an increasingly important factor in relative equity performance.
- In the United States the FOMC's 50bp hike in the Fed funds rate during the May month was well-signalled. Hawkish commentary from various FOMC participants and inflation data saw interest rate markets pricing in a series of larger hikes. In June, the Fed hiked 75bps, validating market expectations, with more to come.
- US headline inflation came in higher than expected at 8.6% y/y. Growth risks increased over the month which saw FOMC commentary becoming more hawkish.
- The war in Ukraine continues unabated with no sign and little hope of an imminent resolution. Positioning of both sides appears incompatible with a diplomatic solution.
- European consumer confidence improved in May, though remains low. Business confidence remains resilient. This will give the European Central Bank confidence in moving ahead with its "pre-announced" intentions to deliver a first interest rate increase in July, end asset purchases during the third quarter of the year and exit negative interest rates by the end of Q3 2022.
- In China, Shanghai remained in lockdown, though there were some easing of restrictions as the month progressed. The easing of restrictions is expected to gather pace over June. Credit growth eased over the month as banks became concerned about the deteriorating economic outlook, prompting an easing in a key mortgage rate by the People's Bank of China.

Central Banks' shift in tone to a more inflation-adverse stance, combined with the Ukraine crisis and energy cost spike, has challenged investor sentiment throughout much of 2022. It appears unlikely that such factors darkening the global growth outlook for the present will clear quickly, and we will maintain a preference for Real Assets.

Portfolio Review

In the month, the Fund had a total return of 2.12%, which compared with a total return of 1.82% for its benchmark. For the year-to-date, the Fund had a total return of 2.6%, compared with 3.0% for its benchmark. Since inception on 18 August 2021, the Fund has returned 8.33%, ahead of the benchmark gross return of 7.60%.

Listed infrastructure securities advanced in May, outperforming the broad equity market. Equity markets were choppy as investors began the month concerned about rising interest rates and higher inflation but later shifted their focus to uncertainty over the pace of economic growth. As a result, more cyclical infrastructure subsectors weakened while defensive sectors climbed. Ongoing repercussions from the war in Ukraine contributed to volatility. Most listed infrastructure subsectors gained during the month.

Several traditionally defensive utilities sectors rallied as U.S. interest rates held steady. Gas distribution (4.2% total return) was supported by the risk-off environment, attractive valuations and generally strong earnings. Electric utilities (2.8%) performed well; companies with renewable exposures rebounded as the U.S. Commerce Department appeared likely to limit the scope of its investigation into Southeast Asian solar panel imports. Water utilities (-2.1%) were among the weakest performers; several U.K. companies announced weak earnings results relative to expectations.

Midstream energy (5.2%) outperformed as oil prices rose and the prospect of increasing throughput volumes supported the sector. Marine ports (-4.5%) lagged after strong performance in April. Railways (-3.8%) lagged; labour constraints and lacklustre freight volumes continued to weigh on the sector.

Travel sectors edged higher but were relative underperformers. Shares of most toll road companies (1.3%) moved higher as the reopening theme generally continued to support the group. Airports (1.0%) were mixed given continued high energy prices and the repercussions from the war in Ukraine.

Communications (2.1%) outperformed as several companies announced solid results. Earnings for several U.S. tower companies exceeded expectations and investor interest in the sector improved given attractive valuations following weakness earlier in the year.

Key contributors

• Security selection in electric utilities (2.8% total return in the index): A lack of exposure to an Indian utility contributed to returns; the company was dragged down along with the overall Indian market given recession concerns. In addition, Japanese utilities rallied on expectations that the restarting of nuclear reactors will boost earnings and cash flows; our overweight position in one of these companies contributed.

• Security selection in marine ports (–4.5%): No position in in India's largest private multi-port operator was rewarded; its shares declined after the company posted weak earnings.

• An overweight position and security selection in gas distribution (4.2%): The sector was among the top performers in May. An overweight in a gas distributor in China was beneficial; it rallied after a period of underperformance.

Key detractors

• Security selection in midstream (5.2%): A lack of exposure to a U.S. natural gas processing and transportation company detracted from performance; its shares rallied along with higher natural gas prices. Shares of a Canadian natural gas infrastructure owner also moved higher; our underweight position detracted.

• Out-of-index position in environmental services: A position in a U.S.-based waste management company detracted from performance as the shares lagged after strong performance in April.

• Security selection in communications (2.1%): An overweight in a Spanish cell tower company negatively impacted performance; the company's shares declined given concerns about financing associated with a potential acquisition.

Portfolio Outlook (Cohen & Steers commentary)

We maintain a balanced portfolio, with a slightly more defensive posture given the persistence of inflation and the potential for slower growth. We continue to monitor the pace of the Federal Reserve's interest rate increases.

Among the portfolio's more defensive allocations, we remain overweight communications infrastructure and underweight utilities. Within utilities, we are keeping an eye on the Commerce Department's investigation into solar panel dumping from manufacturers in Asia, which could potentially delay some renewable energy projects in the United States.

The Russia-Ukraine war could continue to impact a number of global infrastructure sectors. From a regional perspective, Europe remains the most vulnerable to the impact from the war. The portfolio has no direct exposure to companies domiciled in either Russia or Ukraine, and we continue to monitor potential political and regulatory risks in Europe. In the midstream sector, supply disruptions could lead to increased oil and gas production in the U.S., resulting in greater pipeline throughput volumes. U.S. LNG exporters could also benefit as low-cost suppliers to help meet European energy needs.

While higher interest rates and inflation may impact certain subsectors in the near term, infrastructure returns have historically shown positive sensitivity to unexpected inflation. We continue to keep an eye on inflation and interest rates, which are important drivers of asset allocation decisions in 2022.

Performance dispersion among infrastructure subsectors can be significant in dynamic economic periods and amid rising bond yields. Most infrastructure businesses can generally pass rising costs along to consumers and, as a result, have tended to perform well during periods of unexpected inflation.

We believe the trend of private investor interest in acquiring listed infrastructure assets will continue. Several significant transactions were announced or are pending across various subsectors and geographies. We expect this trend to continue in 2022, which may lend support to listed infrastructure valuations.

Greg Fleming, MA