Salt Sustainable Global Listed Property 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 EPRA Nareit Developed Real Estate Index Hedged in NZD on a rolling three-year basis. The Fund targets a portfolio of global listed real estate 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 EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$33.55 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 December 2021

Application	1.0801
Redemption	1.0756

Investment Guidelines

The guidelines for the Sustainable Global Listed Property Fund are:

Global equities	95% – 100%
Cash	0% – 5%

Target investment Mix

The target investment mix for the Global Sustainable Listed Property Fund is:

Global equities	100%

Fund Allocation at 31 December 2021

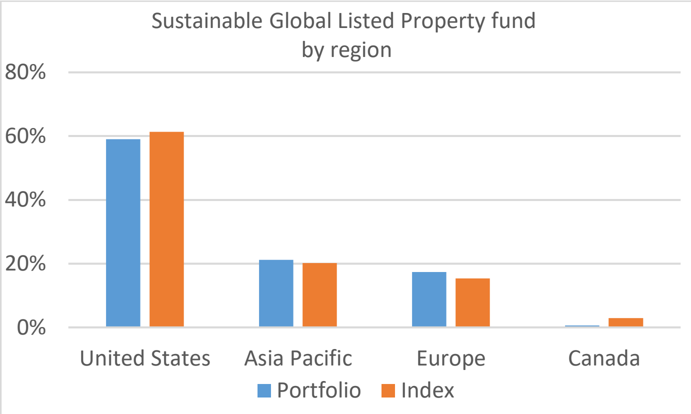
Global equities	98.10%
Cash	1.90%

Fund Performance to 31 December 2021

Period	Fund Return*	Benchmark Return
1 month	5.90%	6.07%
3 months	9.77%	10.47%
Since inception	6.91%	6.37%

*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 at 31.12.21	
Prologis	Vonovia
Public Storage	Digital Realty Trust
Simon Property Group	Healthpeak Properties
UDR	Essex Property Trust
Welltower	Realty Income Corp.

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.3	5.9
MSCI ESG score	5.4	5.4

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.

Global real estate securities advanced strongly in December, outpacing broader equities. Widespread vaccinations broke the link between virus cases, hospitalizations and deaths in various markets, which allowed the lifting of business restrictions, driving increasing economic activity and generating stronger demand for real estate. North America outperformed, while Europe and the Asia Pacific region posted relatively modest gains. In the US, the Federal Reserve announced an acceleration of its asset purchase tapering toward year-end amid inflation pressures and labour market strength.

Emerging concerns around the Omicron variant late in the month rattled markets as investors were already contending with inflation and supply-chain concerns. Europe and North America outperformed in local currencies, while the Asia-Pacific region lagged. US REIT management teams reported positive demand trends, which they expect should translate to pricing power for property landlords.

In the US real estate securities surged on strong fundamentals. The sector achieved a 41.2% total return for the full 2021 year, which was the second-strongest sector performance behind only Energy. Shorter-lease-duration property types, which we favour as prices rise, were winners. Self-storage's outstanding fundamentals have yet to show signs of abating, with occupancies at record highs amid continued relocation and economic activity. Apartment REITs and single-family home for rent gained as beneficiaries of strong employment trends and limited housing supply. Among the exceptions was hotel, which trailed as virus concerns weighed on travel. Free-standing properties, characterized by longer lease durations, also lagged. Regional malls and shopping centres rebounded in 2021 following significant underperformance earlier in the pandemic.

While industrial REITs outperformed, infrastructure and data centres rose more modestly, despite the robust outlook for REITs focused on digital technology. Office REITs had a relatively tepid rebound, as concerns around longer-term secular work trends weighed on performance.

Europe gained on strong performance among more defensive countries/property types. Sweden, which has been a haven from a Covid perspective, outperformed. Belgium and the UK were lifted by gains within logistics and storage property types. Spain gained on strong performance from its largest index constituent, a diversified REIT. In France, performance was mixed; retail property types outperformed, while office-oriented names trailed. The Netherlands was weak due to underperformance within retail property types. Germany declined on weakness among residential property types amid increased political risk (i.e., the possibility of increased rent regulations.)

In the **Asia Pacific** region, gains were tempered by concerns around virus variants and China Evergrande Group. Australia outperformed within the region, bolstered by improving fundamentals and sentiment around the virus. Strong performance among self-storage property types notably contributed. In Japan, industrial and residential property types advanced, while the hotel and diversified sectors trailed. Singapore, which benefited from stronger-than-expected GDP growth and high vaccination rates, modestly gained for the year. Health care, diversified and office property types led performance, while retail, hotel and data centres declined. Hong Kong rose but lagged its regional peers, weighed down by concerns around variants, China developer Evergrande's financial troubles, and increasing regulations from China.

Portfolio Review (Cohen & Steers commentary)

From its 16 September, 2021 inception through to 31 December 2021, the portfolio had a positive total return and outperformed its benchmark index. Over those four months, the fund returns were positive in October and especially, December, while negative monthly returns were recorded in September and November. This was in line with broader world markets.

Key contributors

• Stock selection in the US: Our overweight allocation to mall retailer Simon Property Group, which reported strong earnings results and raised its dividend in the third quarter on an accelerating recovery in Class A malls, contributed. Our overweights in Public Storage and Extra Space Storage, which gained amid outperformance among U.S. self-storage REITs in the year, was also beneficial.

• Stock selection in Australia: We had an out-of-index position in real estate fund manager Charter Hall Group, which has benefited from strong capital inflows and a favourable transactions market. The company also recently provided a positive quarterly update, including upgraded 2022 guidance.

• Stock selection in Singapore: Contributors included our overweight in health care landlord Parkway Life Real Estate, which rose more than 10% in the period.

Key detractors

• Stock selection in Japan: We were overweight economically sensitive developer Mitsui Fudosan, which was hindered by virus concerns.

• Stock selection in Sweden: We did not invest in certain stocks that rose more than 10% in Sweden's market rally, where the real estate index gained 44.3% for the year- ahead of even the US' 2021 gains.

• Overweight in Spain: The market underperformed in the period, and our overweight was a modest detractor.

Portfolio Outlook (Cohen & Steers commentary)

We believe global real estate offers improving fundamentals and inflation protection. Real estate market activity is strong in various regions, and construction starts in many sectors have been delayed by labour shortages and higher costs for building materials, reducing supply pressures. Long-term cash flow growth prospects are above average, and earnings estimates are rising. While a strengthening economy may lead to greater inflation and, at some point, drive interest rates higher, we believe REITs are well positioned to tolerate an eventual increase in rates. A strong economic backdrop should lead to higher demand for many real estate property types, allowing landlords to raise rents. **REITs continue to offer attractive levels of income relative to traditional asset classes**, and the "new-economy normal" could create sector opportunities for the next several years.

We maintain a **positive view on US REITs**, with a preference for shorter-lease-duration assets, which should benefit from an environment of rising prices. We favour self-storage, which should enjoy improving demand due to increased economic and relocation activity. We anticipate demand will significantly outpace supply through 2022, suggesting companies will continue to have pricing power. We have a positive view on health care, where we favour life science properties. We also see value in senior housing, where occupancies are improving amid improved safety standards. We see the residential and hotel sectors benefiting from continued economic expansion and an eventual return of business travel, respectively. We believe companies that provide data and logistics infrastructure, including data centres, cell towers and industrial warehouses, will continue to benefit from strong secular demand in the shift toward a digital economy, though we are mindful of elevated valuations.

While we believe secular headwinds remain for retail, the US consumer remains strong, which should benefit retailers and drive healthy demand for brick-and-mortar real estate. In particular, we believe retail landlords with high-quality properties and strong balance sheets stand to gain market share over time. We remain cautious toward offices as businesses reassess their future needs, although we have an allocation within the Sunbelt, which we favour over coastal locations. We estimate that rents in some markets may not recover until 2023. We also remain cautious toward Canada. Despite an improvement in virus containment, vaccinations and progress towards the reopening of its economy, valuation is less attractive than in other regions.

In Europe, our largest regional overweight, our current positioning is differentiated more by property sector and individual security than by country, based on the common drivers impacting property types across the region. We like logistics, health care and self-storage, which tend to be more defensive and have structural growth characteristics.

By contrast, we are cautious on offices in some markets, as the demand outlook remains uncertain and, in many cases, current valuations do not adequately compensate investors for the perceived risk.

China policy moves temper our view of Asia Pacific. We have been trimming our Hong Kong allocation in response to the heightened policy risk in Hong Kong and China. Within Australia, we favour property sectors that are relatively insulated from the encroachment of e-commerce activity. In Singapore, we are positive on underlying fundamentals for hospitals, and we are constructive on the medium-term outlook for offices given the prospect of corporate relocations within Asia Pacific. We are overweight Japanese developers, and our positions in hospitality and office REITs reflect our view that they should benefit from the cyclical recovery.

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