Salt Sustainable Global Listed Property Fund Fact Sheet – November 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 30 November 2021

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$31.60 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 November 2021

Application	1.0196
Redemption	1.0154

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 30 November 2021

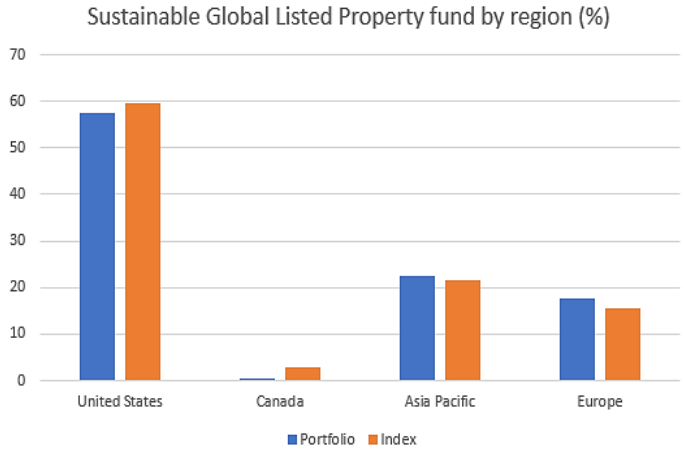
Global equities	99.00%
Cash	1.00%

Fund Performance to 30 November 2021

Period	Fund Return*	Benchmark Return
1 month	-0.7%	-1.39%
Since inception	1.0%	0.30%

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

Fund regional weightings as at 30 November 2021*



Source: Cohen & Steers, Salt *data to 30 November 2021

Top 10 holdings at 30.11.21	
Prologis	Welltower
Public Storage	Essex Property Trust
Simon Property Group	Healthpeak Properties
UDR	Realty Income Corp.
Digital Realty Trust	Duke Realty Corp.

Market Review

Global equity markets declined in November, after a robust rise in October, as the new Covid-19 variant, Omicron, emerged and put a damper on recovering investor sentiment worldwide. Developed market equities started the month well, until the news flow shifted to rising Covid hospitalisations in Europe. New economic and social restrictions varied from country-to-country and were largely dependent on hospitalisation rates. Some countries reimposed work from home (Germany and Belgium) while others opted for a return to full lockdown (Austria). More will be learnt about Omicron in coming weeks, with key questions being the severity of symptoms, the efficacy of the current vaccine options and the hospitalisation and mortality rates.

Global real estate securities declined in November along with broader equities. 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. Macro considerations aside, strength in real estate fundamentals was evident at the US Nareit conference, where REIT management teams reported positive demand trends in the asset class, which they expect should translate to pricing power for property landlords.

In the US (-0.8%), real estate securities ended the month in negative territory amid macro concerns. Strong fundamentals for US real estate were reflected in third-quarter earnings results, with many companies across sectors beating expectations and raising their earnings guidance. Timber gained on robust housing demand and improvements in repair and remodelling activity. Regional malls also outperformed in the month despite Omicron headwinds. The malls recovery accelerated, with reports of retail sales exceeding 2019 levels, along with strong leasing and occupancy trends. Industrial REITs gained on strong fundamentals nationally, with reporting companies beating earnings expectations and raising their outlooks.

Data centre REITs outperformed on the announcement of two acquisitions in the month: CyrusOne received a bid from private investors, and CoreSite received a takeover bid from American Tower. Among the laggards were sectors more vulnerable to virus-related restrictions. Office REITs underperformed, while concerns around the Omicron variant and the potential impact on border restrictions and international travel weighed on specialty and hotel REITs. Health care REITs lagged on weakness in senior housing and skilled-nursing property types. Free standing and manufactured housing REITs also trailed.

European real estate performance was mixed. Sweden (8.3%), which has been a relative haven from a Covid perspective, outperformed. The U.K. (3.2%) benefited from declining covid cases versus other parts of the region and a bottoming out of retail valuations. Belgium (1.1%) had gains within logistics and self-storage property types. Germany (-2.8%) was weak amid a large rights issue by residential landlord Vonovia. France (-4.6%) and the Netherlands (-6.6%) declined as the Omicron variant weighed on the performance of retail property types.

In the **Asia Pacific** region, investors favoured defensives amid variant concerns. In Australia (0.1%), investors sought safety in more defensive names, while retail and office landlords underperformed. In Singapore (-3.0%), investors favoured some of the more defensive REITs, including health care and data centre names, while hospitality REITs trailed. Office names outperformed on positive commentary from management teams. Hong Kong (-5.2%) rallied in the first part of the month as negative macro headlines slowed and property developer Evergrande started settling some of its outstanding bond coupon payments. During the second half of the month, landlords corrected amid a weaker China macro backdrop and increased virus concerns. In Japan (-6.1%), developers and REITs both declined, with underperformance among sectors most tied to a recovery, such as retail and hotels.

Market Outlook

Portfolio Review (Cohen & Steers commentary)

Secular growth-oriented sectors, such as data centres and infrastructure, modestly lagged the broader US REIT market, as investors favoured the more cyclical sectors. The health care sector, which is less sensitive to economic recovery, posted a positive return but trailed due to concerns about rising labour costs. Hotels, which face continued uncertainty around the pace of the business-travel recovery, had a relatively small gain. Earnings results in this sector have been modestly ahead of expectations, with demand led by resorts, leisure, and lower-chain scale segments.

European real estate performance was strong in most markets following recent weakness. Despite rising energy costs and general inflation, the European Central Bank left its interest rate policy unchanged at its October meeting. Sweden (14.1%) where we anticipate above-average economic growth, outperformed, with gains across sectors. Belgium (8.8%) was lifted by logistics and health care names. The U.K (3.6%) had strong gains among storage and logistics property types. France (3.3%) benefited from encouraging retail results for certain landlords. The Netherlands (-0.3%) trailed on mixed performance among retail-oriented property types, while Germany (-0.3%) trailed amid weakness in residential landlords.

The Asia-Pacific region gained as Evergrande concerns abated. Hong Kong (6.1%) rebounded from September's correction after public statements made by various Chinese government officials emphasized that Evergrande's situation is contained, with limited contagion to the property sector and economy. Singapore (2.9%) gained. Despite some impact from virus-related restrictions, other parts of the economy are healthy, and the central bank raised rates. Hospitality REITs outperformed due to the setup of vaccinated travel lands and rotation

into value, while office stocks gained on positive commentary from management teams. Australia (0.5%) rose modestly, with value outperforming growth amid modestly higher 10-year government bond yields and growing vaccination rates. Japan (-0.3%) pulled back slightly.

Key contributors

• Stock selection in the US (-0.8% total return in the index): Our overweight in cold-storage REIT Americold Realty Trust, which has seen a recent rise in inventory levels, contributed. Our overweight in apartment landlord UDR, which rose in the month amid strong demand, also contributed. Our overweight allocation in mall retailer Simon Property Group also aided relative performance. The company reported strong earnings results and raised its dividend on an accelerating malls recovery.

• Selection in Australia (0.1%): Our out-of-index position in real estate fund manager Charter Hall Group, which benefited from strong capital flows and a favourable transactions market, contributed. The company also provided a positive quarterly update, including upgraded 2022 guidance.

• Selection in Singapore (-3.0%): Our overweight in Parkway Life REIT, which outperformed due to its defensive nature and positive signals from insider buying, contributed.

Key detractors

• Stock selection in Japan (-6.1%): Our overweight in Sumitomo Realty & Development, which underperformed due to its high office exposure, detracted.

• Overweight in France (-4.6%): France was weak in the month on virus variant concerns.

• Underweight in Belgium (1.1%): Belgium outperformed broadly and outperformed the European region in the month.

Portfolio Outlook (Cohen & Steers commentary)

Global real estate fundamentals continue to improve. Real estate market activity is quite strong, 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 is above average, and earnings estimates are rising. Regardless, a strong economic backdrop should lead to higher demand for many real estate property types, allowing landlords to raise rents. Meanwhile, the "new-economy normal" could be creating sector opportunities.

Additionally, REITs offer attractive levels of income relative to traditional asset classes.

We maintain a positive view on US REITs, with a preference for self-storage and health care companies. Self-storage should enjoy improving demand due to the increased economic and relocation activity. We anticipate demand will significantly outpace supply through 2022, suggesting companies will continue to have pricing power. We also have a favourable view on health care, where we have a positive outlook on life science properties. We also see value in senior housing, with occupancies improving as virus containment remains strong. We see the residential and hotel sectors benefiting from a strong labour market, continued economic expansion and an eventual return of business travel. 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.

We continue to see challenging US retail fundamentals, although certain retail landlords with high-quality properties and strong balance sheets stand to gain market share over time. We remain cautious toward office 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 and vaccinations, and progress towards reopening of its economy, valuation is less attractive.

China policy moves tempering 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 turning more constructive on the medium-term outlook for Singapore 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

We believe a strong trend of private investor interest in acquiring listed 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 this trend to continue in 2022.

Greg Fleming, MA