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

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$45.94 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 August 2023

Application	0.9277
Redemption	0.9239

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 August 2023

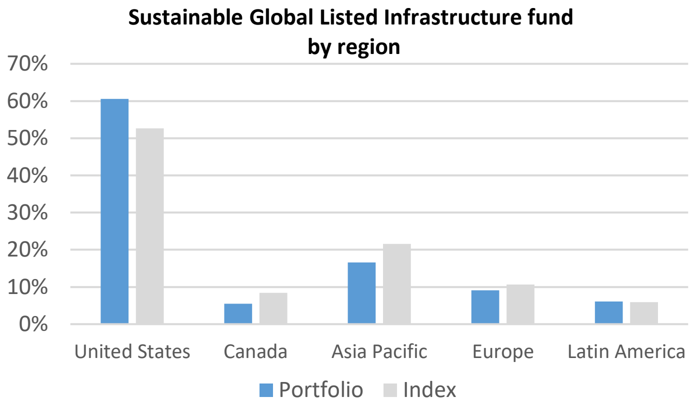
Global equities	97.75%
Cash and cash equivalents	2.25%

Fund Performance to 31 August 2023

Period	Fund Return*	Benchmark Return
1 month	-4.74%	-4.61%
3 month	-1.51%	-1.25%
6 month	-3.10%	-1.45%
Year to date	-4.00%	-3.80%
1 year	-8.51%	-8.95%
Since inception p.a.	-1.17%	-1.66%

*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 August 2023.

Fund regional weightings as at 31 August 2023*



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

Top 10 holdings	sector		sector
NextEra Energy	Electric	TC Energy	Midstream
American Tower	Towers	Grupo Aeroportuario De Sur-B	Airports
Cheniere	Midstream	Exelon	Electric
SBA Communications	Towers	PPL	Electric
Transurban	Toll Roads	Sempra	Gas Distrib.

The fund's top 10 holdings comprise 36.0% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 31 August 2023

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

Source: Cohen & Steers Quarterly Investment report.

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Market Review

Listed infrastructure stocks declined in August. The key macro themes for the month included a rise in global bond interest rates, putting pressure on other yielding assets, and reconsiderations of how soon central banks may begin easing monetary policy due to persistent inflation pressure in core CPI measures around the world.

- Volatility returned to global markets In August reflecting fresh strains in the Chinese property market and weakness in a broad range of activity indicators. Developed market sovereign bond yields also moved higher during the month.
- In this environment developed market equities declined -2.3% (in USD) over the month while the Bloomberg Global Aggregate bond index fell -1.4% (also in USD).
- The credit rating agency Fitch downgraded the US sovereign credit rating from AAA to AA+ during the month, citing unsustainable fiscal settings and increasing political dysfunction. The move was largely dismissed by US politicians and economists alike, though it does highlight our concern that without some form of political intervention the fiscal settings of several key developed economies are on an unsustainable path.
- US data remained solid over the month, keeping markets anticipating the possibility of one final interest rate hike from the FOMC. The jobs market remained strong with payroll gains ahead of forecast and a dip lower in the unemployment rate. Retail sales growth also exceeded expectations. Core inflation fell slightly over the month, but at 4.7%, it remains too high for comfort.
- Eurozone GDP data came in stronger than expected for the second quarter of the year and the labour market remains tight with the unemployment rate at its lowest ever level. The outlook remains uncertain, however, with the August composite Purchasing Managers Index falling to 47. Core inflation moved slightly lower but at 5.3%, markets are continuing to price in more tightening from the ECB.
- In Japan, the economy grew +6.0% q/q annualised in the second quarter, boosted by a strong contribution from net exports. The core CPI rose to 4.3% in July and the spring (Shunto) wage negotiations saw the biggest wage increase in three decades. That will have markets continuing to be alert to further tweaks to Japan's monetary policy settings.
- In China, activity data was much weaker than expected including retail sales and private investment, particularly in real estate. The annual rate of CPI increase turned negative in July. To address these challenges, the PBoC cuts rates twice during the month, though credit demand is yet to respond. China's troubles appear likely to weigh on markets for a few months yet.
- In Australia, data over the month has broadly tracked in line with the RBA's forecasts, with unemployment higher and inflation lower, providing little reason for the RBA to shift from its current "wait and see" approach.

Portfolio Review

Listed infrastructure lagged global equities in August. Several macroeconomic factors hindered performance during the month, including rising interest rates and generally negative economic data. Against this challenging backdrop, all listed infrastructure sectors declined.

Higher interest rates negatively impacted several sectors. Electric utilities (–6.0% total return1) and water utilities (–6.0%) were the weakest-performing sectors during the month. The gas distribution sector (–5.4%) was also hurt by higher rates, coupled with continued economic weakness in China.

Communications companies (–3.9%) were mixed. A U.S.-based tower owner benefited after posting stronger earnings than expected.

Passenger transportation-related sectors struggled. Within toll roads, (–6.0%), shares of an Australia-based company—the largest constituent in the sector—were dragged down by rising interest rates. Airports, (–1.6%) was a relative outperformer. Mexican airports largely posted strong relative returns, whereas performance in China was weak given economic headwinds. Toll roads and airports remained the top-performing sectors thus far in 2023.

Commercial infrastructure sectors were relative outperformers. Midstream energy (–0.2%) held up well given solid earnings, improved business models and strong balance sheets. Marine ports (–3.0%) were mixed; shares of an India-based company benefited as it reported strong earnings, whereas a Brazil-based operator lagged, after strong performance over the first half of the year. Railways (–4.7%) declined amid weak freight volumes.

Portfolio performance

Key contributors

• Stock selection in midstream energy (–0.2% total return in the index): An overweight position in U.S.-based Targa Resources contributed to performance; the company has one of the highest growth rates in the sector, as well as a discounted valuation, and its shares rallied on minimal news.

• Stock selection in communications (–3.9%): An overweight position in U.S.-based SBA Communications was beneficial; its shares rallied as the company reported earnings that exceeded expectations. It also signed a new master lease agreement (MLA) with AT&T that was well received by investors.

• Out-of-index allocation in transport logistics: A position in Australia-based Qube Logistics contributed; its shares advanced as the company reported strong earnings.

Key detractors

• Stock selection in gas distribution (–5.4%): An overweight in China-based ENN Energy detracted from performance. The company reduced its financial guidance due to lower-than-expected gas sales.

• Stock selection in electric utilities (–6.0%): An out-of-index position in global offshore wind developer Orsted detracted from performance. The company announced impairments to its offshore wind investments in the U.S. due to higher interest rates, supply chain constraints, and less investment tax credits than had previously been expected.

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• Stock selection in marine ports (–3.0%): An overweight position in Santos Brasil negatively impacted performance.

Investment Outlook (Cohen & Steers commentary)

We continue to emphasize an overall balanced portfolio given moderating but still high inflation, the cumulative impact from aggressive monetary tightening, and weakness in some areas of the global economy. We maintain our preference for higher-quality businesses that we feel have the ability to perform relatively well in a below-trend growth environment. We are also focused on the potential capital needs of individual companies to strengthen their balance sheets.

We expect the credit environment to remain challenged. We continue to closely monitor the impact of higher financing costs and tighter financial conditions (including their potential impact on earnings and cash flows) across the infrastructure universe.

Against this backdrop, we continue to focus on infrastructure companies that have strong balance sheets, with limited near-term maturities and manageable refinancing schedules.

Sticky inflation and "higher for longer" interest rates may be a headwind for certain sectors. However, most infrastructure businesses can generally pass rising costs along to consumers; as a result, they have tended to perform well during periods of persistent inflation.

Greg Fleming, MA

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