Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – April 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 30 April 2022

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$55.47 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 April 2022

Application	1.0631
Redemption	1.0587

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 30 April 2022

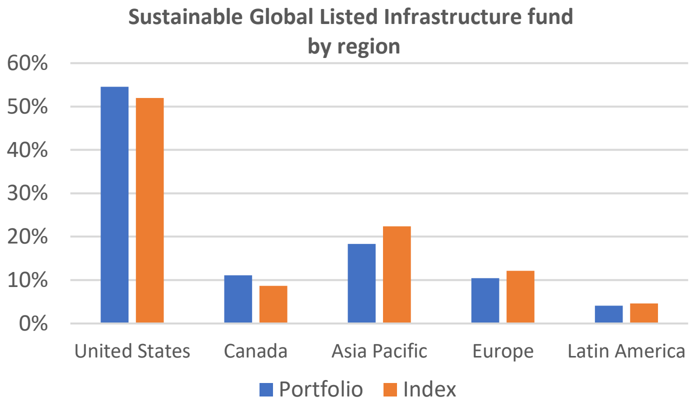
Global equities	98.6%
Cash and FX forwards	1.4%

Fund Performance to 30 April 2022

Period	Fund Return*	Benchmark Return
1 month	-2.58%	-2.13%
3 month	3.46%	3.95%
6 month	4.88%	5.50%
Since inception	6.08%	5.68%

*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 30 April 2021.

Fund regional weightings as at 30 April 2022*



Source: Cohen & Steers, Salt *data to 30 April 2022

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

The fund's top 10 holdings comprise 37.05% of the portfolio

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.4	6.4
MSCI ESG score	6.0	6.0

Source: Cohen & Steers Quarterly Investment Report, Q1 2022

Market Review

- Following a difficult first quarter of 2022 for markets, there was little respite in April. The ongoing war in Ukraine, Covid lockdowns in China and the prospects of significantly tighter monetary policy in several major countries all weighed on markets. Infrastructure, however, was less volatile than the broader equity markets due to its defensive qualities in risky times, and to its efficacy in hedging against higher inflation.

- The global economy entered 2022 with strong tailwinds, many of which including tight labour markets and high levels of pent-up savings remain. But the risks to the outlook are building, especially as monetary policy tightening peaks in 2023 and the economic cycle bottoms out.

- Global equites returned -8.0% in April and fixed income was not far behind as US 10-year Treasury yields approached 3%. Expectations of the degree of monetary policy tightening was ramped up over the month, most notably in the US, the UK and Australia. More defensive equity markets such as Japan, the UK and Switzerland were more resilient than the US and Emerging Markets.

- The war in Ukraine intensified over the month with no sign of resolution in sight. The most notable economic impact is on energy markets as Europe faces into the challenge of reducing its energy dependency on Russia.

- Chinese authorities are struggling to contain a major Covid outbreak, with Shanghai spending the whole of April in lockdown. Easier monetary and fiscal policy will provide some support to growth, but the official 2022 GDP target of 5.5% is increasingly challenged by the rigid Covid-zero policy stance.

In the US the Federal Open Market Committee (FOMC) appears ready to accelerate the pace of rate hikes from as early as their May meeting. Markets are now pricing a series of 50bp hikes following comments from several FOMC participants suggesting the need for an expeditious move in the Fed funds rate to neutral.

Central Bank's shift in tone to a more inflation-adverse stance, combined with the rapidly escalating Ukraine crisis, has challenged investor sentiment throughout much of 2022. It appears unlikely that such factors darkening the global growth outlook for the present will not clear quickly, and we will maintain a preference for Real Assets.

Listed infrastructure securities declined in April but outperformed the broad equity market. In another volatile month, equities were dragged down by worries over still-elevated inflation, slowing global growth, supply-chain bottlenecks, and ongoing repercussions from the war in Ukraine. Most listed infrastructure subsectors posted negative returns during the month. Concerns over economic growth weighed on several sectors.

The railways sector (-9.7% total return), the worst performing infrastructure sector, was hurt by labour constraints and uncertainty over freight volumes. After rallying sharply during the first quarter, midstream energy (-1.9%) edged lower as oil prices, while still elevated, held steady during the month. Marine ports (2.3%) bucked the broader trend and rose on strong volumes and pricing power that helped offset higher inflation.

The traditionally defensive utilities sector was dragged lower as interest rates rose sharply. Water companies (-5.3%) were among the weakest performers; high-growth and high-quality US-based companies are particularly sensitive to interest rates. Gas distribution (-2.9%) declined as rising gas prices raised concerns about customer bill inflation. Electric utilities (-2.5%) were mixed during the month; a number of companies with renewable exposures were hurt by the potential for US Commerce Department tariffs on certain Asian solar panel exporters.

Travel sectors were mixed amid pockets of new Covid cases. Airports (-2.5%) were negatively impacted by concerns that higher energy prices may crimp air travel volumes. The knock-on impact from the war in Ukraine was also a drag on investor sentiment. Shares of most toll road companies (6.3%) rallied, led by Atlantia, which rose on potential M&A activity, and Transurban, the sector's largest component, which is a defensive stock that benefited from further reopening in Australia.

Communications (-1.2%) was a relative outperformer, with some companies posting solid first quarter earnings. After underperforming the benchmark through much of the first quarter, valuations within the Communications sector rebounded following strong earnings reports.

Portfolio Review

From its August 19, 2021 inception through April 30, 2022, the portfolio had a positive total return of 6.08% and outperformed its benchmark by 0.40% on an after-fees basis. In April month alone, the fund underperformed by -0.35% on an after-fees basis.

Key contributors

• Out-of-index position in environmental services: A position in a US-based waste management company was beneficial as it reported better-than-expected first-quarter earnings and demonstrated strong pricing power.

• Security selection in water utilities (-5.3% total return in the index): An overweight position in a British water utility—a defensive position in a time of uncertainty—outperformed the sector, and aided relative returns.

Key detractors

• Security selection in electric utilities (-2.5%): A lack of exposure to a Southern US utility detracted from returns; the company entered the final phase of a long-delayed nuclear power plant in Georgia. In addition, a small-cap utility based in Oregon declined after lowering its earnings guidance due to inflation; our overweight position detracted.

• Security selection in marine ports (2.3%): An overweight in a Brazilian port operator detracted from performance; emerging-market growth concerns and an uptick in Covid cases dragged its shares down in April.

Portfolio Outlook (Cohen & Steers commentary)

The Russia-Ukraine war could continue to impact a number of global infrastructure sectors. From a regional perspective, Europe is most vulnerable to the repercussions of 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. Given sharply higher energy costs, the European Union has floated the idea of windfall taxes on utilities to provide some relief for their customers and constituents. Conversely, in the midstream sector, supply disruptions could lead to increased oil and gas production in the US, resulting in greater pipeline throughput volumes. US LNG exporters could also benefit as low-cost suppliers to help meet European energy needs.
We maintain a largely balanced portfolio. We have taken a more defensive posture given the persistence of inflation and increasing signs suggesting growth may slow. As such we have trimmed our position in freight rails. We continue to watch the pace of the Federal Reserve's interest rate increases. Among the portfolio's more defensive allocations, we remain overweight communications infrastructure, matched with an underweight in utilities. Within the latter, regulatory uncertainties may weight on the renewable space.

Listed infrastructure appears attractively priced relative to broader equities. On a cash flow multiple basis, listed infrastructure currently trades roughly in line with global equities—in sharp contrast to the asset class's historical premium valuation. This mispricing occurs at a time, we believe, when infrastructure is well positioned to benefit on a relative basis from its strong inflation protection characteristics. Longer term, secular trends such as the digital transformation of economies and the transition to clean energy will potentially be significant drivers of infrastructure returns.

While higher interest rates and inflation may impact certain subsectors in the near term, infrastructure returns have historically shown positive sensitivity to unexpected inflation. As the global economy continues to modestly expand and uncertainties triggered by the war in Ukraine persist, we are closely monitoring 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. However, 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 a strong 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