Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – December 2024

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 December 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$88.67 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 December 2024

Application	1.0559
Redemption	1.0516

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 December 2024

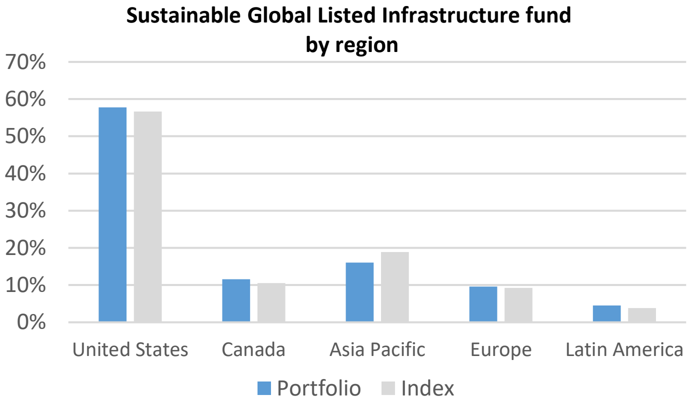
Global equities	98.5%
Cash & short-term	1.5%

Fund Performance to 30 December 2024

Period	Fund Return	Benchmark Return
1 month	-5.18%	-5.18%
3 month	-2.94%	-3.35%
6 month	9.90%	8.25%
1 year	16.52%	12.94%
2 years p.a.	8.75%	6.49%
3 years p.a.	4.85%	2.93%
Since inception p.a.	6.27%	3.96%

Performance is before fees and PIE tax and adjusted for imputation credits. Benchmark performance is gross.

Fund regional weightings as at 31 December 2024*



Source: Cohen & Steers *data to 31 Dec. 2024

Top 10 holdings	sector		sector
NextEra Energy	Electric	Union Pacific	Freight Rail
TC Energy	Midstream	Duke Energy	Electric
PG & E	Electric	The Williams Companies	Midstream
American Tower	Towers	CSX	Freight Rail
NiSource	Gas Distr.	Public Service Enterprise Group	Electric

The fund's top 10 holdings comprise 37.02% of the portfolio.
Source: Cohen & Steers Monthly Investment Report, 31 December 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.67	6.40
MSCI ESG score	6.34	6.28

Source: Cohen & Steers Investment Report, 31 December 2024

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

Market Review

The Salt Sustainable Global Infrastructure Fund declined in December as rate-sensitive global equities sold off as bond interest rates rose. After a period of lower yields, concerns about the U.S. deficit's future path and inflation returned, pressing bond yields higher. This led to a re-pricing in real asset classes.

- In the December quarter markets were dominated by events in the US with Donald Trumps's victory in the US Presidential election, a hawkish pivot from the US Federal Reserve and ongoing strength in the US dollar.
- Trump's victory had markets contemplating more expansionary US fiscal policy, including further tax cuts, and a more nationalist trade policy. At the same time, the US Federal Reserve signalled there was less scope for interest rate cuts in the period ahead. These two events cancelled each other out in equity markets, while both were bad for bonds. Developed market equities were broadly flat over the quarter (-0.1% in USD) while the global aggregate bond index returned -5.1% (in USD) over the same period.
- In the US, data releases continue to point to resilient growth and recent inflation results have been generally higher than expected, stalling the disinflation process. While the Fed cut interest rates by 25 basis points in December, they signalled only two cuts in 2025, down from the previously signalled four.
- In Europe, the central bank delivered a 25bp rate cut in December, taking the deposit rate to 3.0%. As the downside risks to growth build, the Bank removed the reference to the need for restrictive policy from its statement. That seems to open the door to a steadier pace of rate cuts to neutral, wherever that may be. Budget related political uncertainty in France and the collapse of the German Government is also impacting markets.
- The Bank of Japan left interest rates unchanged in December though expectations of another interest rate hike continue to build. The Bank will likely want further clarity on next year's Shunto wage negotiation before moving, making a hike in January or March likely.
- In China the authorities to continue to signal further stimulus is in the pipeline, though details remain scant. Stimulus delivered to date appears to be having some impact with the December non-manufacturing PMI rising from 50.0 to 52.2, and while the manufacturing index came in weaker than expected at 50.1, there were glimmers of recovery under the hood. More fiscal stimulus is still required, preferably aimed at boosting demand (consumption) rather than supply.
- In Australia the RBA delivered a more dovish that expected statement in December, potentially opening the door to an interest rate cut as early as February. However, that optimism was quickly dashed as the unemployment rate surprised to the downside in November, falling from 4.1% (where it has been for 3 months on the trot) to 3.9%.

Portfolio Review Year to December 2024

Listed infrastructure and global equities advanced strongly in 2024, with several key market indexes, particularly those in the U.S., setting new record highs. Generally robust economic data, moderating inflation, and encouraging corporate earnings boosted stocks, despite interest rate concerns and volatility surrounding the outcome of major elections globally. The rapidly expanding growth of artificial intelligence (AI) applications and the reshoring of manufacturing provided a significant tailwind for select market sectors.

Certain commercial infrastructure sectors benefited from optimism about a potentially more favourable environment for energy and economic growth. Midstream energy solidly outperformed the broader infrastructure asset class, bolstered by an improving outlook for energy and continued investor optimism around the potential increase in gas demand due to rapid power demand growth from data centres.

Marine ports also posted strong returns, aided by healthy cargo volume throughput. Conversely, railways was one of the few sectors to decline for the year, hampered by concern about negative earnings revisions and continued strong competitive pressure from trucking.

Performance in regulated utilities and communications sectors varied widely. Investor excitement around the potential for certain utilities to benefit from the increased electricity demand from data centres drove outperformance in select gas distribution and electric utilities. Utilities that were not in line to benefit from the AI-centric enthusiasm, such as water utilities, lagged.

Communications was the weakest-performing sector, as tower companies were held back by expectations for higher interest rates.

Passenger transportation–related sectors were mixed. Airports outperformed, supported by the ongoing recovery in passenger traffic, as travel fears continued to abate. Elevated interest rates, along with the market's shift toward more economically sensitive, higher-growth sectors, weighed on sector performance in toll roads.

Portfolio performance

The portfolio had a positive total return for the year and outperformed its benchmark.

Key contributors

• Stock selection in gas distribution: An overweight position in an outperforming U.S.-based gas utility helped relative performance. The company's recent earnings surpassed expectations, and investors also reacted positively to its increased five-year capital expenditure plan. The firm is well-positioned to benefit from the potential increase in power demand from a newly announced data centre being built in its Indiana service area.

• Stock selection in marine ports: An overweight position in a Brazil-based port operator boosted relative returns. The company benefited from an ongoing shortage in container terminal capacity in the region before eventually being acquired at a large premium.

• Stock selection in railways: Lack of exposure to a Brazil-based railway contributed to relative outperformance. The railway operator struggled, given rising interest rates and the challenging macro environment in Brazil during the period.

Additionally, an underweight position in a Canada-based railway helped. A slowing growth outlook for the sector dampened investor sentiment.

Key detractors

• Overweight allocation and stock selection in communications: The sector performed poorly amid the pressure of elevated interest rates and the shift to a more economically sensitive market environment. An overweight position in a large U.S.-based tower company detracted, as the shares pulled back more than the overall sector. Investors were disappointed that the company would receive a lower-than-expected deal price for the sale of its fibre and small cell businesses.

• Stock selection in airports: An overweight position in a Mexico-based airport operator was detrimental. In the first half, skittishness about the possibility of more restrictive business reforms being enacted after the June presidential election in Mexico hampered the stock. Despite the concern about government restrictions moderating and recent earnings coming in above expectations, uncertainty about the potential negative effects of some of the incoming U.S. administration's expected trade policies kept investors on the sidelines.

• Underweight allocation to electric utilities: The sector outperformed, partly due to a healthy power demand outlook from data centres. However, the adverse effect of our underweight in electric utilities was partially offset by favourable security selection in the sector.

Investment Outlook (Cohen & Steers commentary)

We seek to maintain a generally balanced portfolio. We view the current environment of stabilizing growth as supportive, but we are also mindful of potentially reaccelerating inflation, particularly with a new U.S. administration.

We favour higher-quality businesses that we believe can perform relatively well in an economy emerging from a period of slowing growth.

We also believe that we are at a positive inflection point for power demand, as we see an increasingly important relationship between power generation, grid reliability and rapid data centre growth.

The need for electric and gas infrastructure to support data centre demand is expected to drive significant investment opportunities within the asset class. However, we are also closely monitoring customer affordability.