Salt Sustainable Global Listed Property Fund Fact Sheet – November 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 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 2024

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$44.84 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 November 2024

Application	0.9091
Redemption	0.9054

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 2024

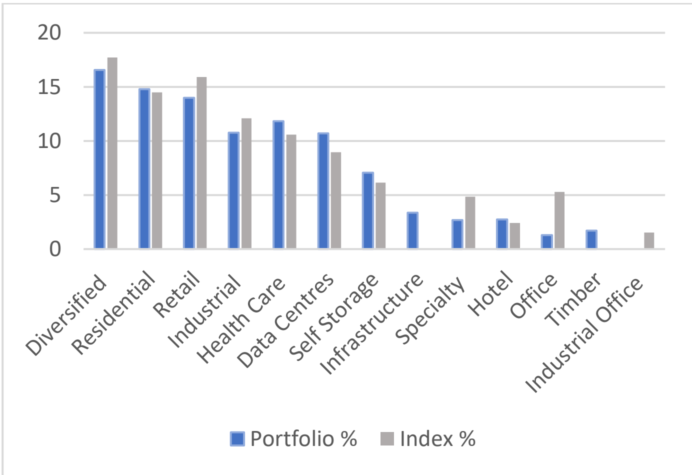
Global equities	97.1%
Cash & short-term	2.9%

Fund Performance to 30 November 2024

Period	Fund Return	Benchmark Return
1 month	2.36%	2.64%
3 months	2.07%	1.31%
6 months	13.43%	13.22%
1 year	21.75%	19.89%
2 years p.a.	10.60%	7.93%
3 years p.a.	1.44%	-0.82%
Since inception p.a.	1.99%	-0.68%

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

Fund Sectoral Weightings in % as at 30 November 2024



Source: Cohen & Steers

Top 10 holdings as at 30 November 2024	
Welltower	Invitation Homes
Digital Realty Trust	Public Storage
Prologis	Goodman Group
Simon Property Group	Crown Castle
Equinix	Iron Mountain

The fund's top 10 holdings comprise 43.9% of the portfolio

Source: Cohen & Steers Monthly Report 30 Nov. 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.90	6.69
MSCI ESG score	6.01	5.96

Source: Cohen & Steers Investment Report 30 Nov. 2024

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Market Review

The Salt Sustainable Global Property Fund gained in November as global equities rallied, once political uncertainty risks diminished. After several months of lower yields, concerns about the US deficit's future path returned, lifting bond yields.

- Markets were dominated in November by the Republican clean sweep of US elections. This had markets contemplating a more expansionary US fiscal policy and a more nationalist trade policy. US equities gained +6.3%, contributing to a 4.6% rise in developed market equities.
- Bond markets were less enamoured with the potential inflationary implications, with the global aggregate bond index returning +0.3%.
- Solid economic data also contributed to positive equity markets, feeding the theme of US exceptionalism. The Fed cut by 25bp, citing further progress on disinflation.
- In Europe, the ECB is contending with weak economic fundamentals, while inflation is proving resilient. Political uncertainty in Garmany and France also impacted markets.
- In Japan, expectations of another interest rate hike are building, with a further 25bp increase possible before Christmas although a January hike is more likely.
- In China, highly anticipated fiscal stimulus disappointed the market. While a debt swap arrangement for local governments was welcome, a lack of meaningful stimulus aimed at boosting consumption was well short of expectations.
- The RBA maintained its hawkish bias in November, stating it needs to remain vigilant to upside risks to inflation. The tight labour market saw the unemployment rate remain at 4.1%.
- In NZ, weak labour market data saw the unemployment rate rise to 4.8%, with a decline in the participation rate preventing a sharper rise. Activity data remained weak, though increasing signs of a bottoming out of recent declines are starting to emerge. The RBNZ cut the OCR by 50bp to 4.25%.

Portfolio Review November 2024

Global real estate securities advanced in November along with global equities, with strong performance in the U.S. The 10-year U.S. Treasury yield remained elevated into November, as investors considered the implications of the U.S. presidential election, before moderating toward month-end.

The U.S. Federal Reserve cut its benchmark interest rate by a modest 25 basis points (bp), citing easing inflation and an unemployment rate that has risen but remains low. The Bank of England also cut its benchmark interest rate by 25 bp. The market expects the European Central Bank to cut again in December amid concerns around weak regional economic growth.

In the U.S., real estate shares rose in the second half of the month as real rates stabilized and trended lower (following an initial move higher post the presidential election). U.S. listed real estate earnings season, which wrapped in the month, was largely positive, with generally healthy fundamentals on display. Hotels outperformed on the perception that the Republican sweep will translate into stronger economic growth on the margin.

Data centre REITs continued to advance on the sector's strong fundamental demand backdrop and limited supply. Among retail property types, regional malls and shopping centres outperformed. A mall operator cited the resiliency of the consumer, reporting gains in leasing and sales volumes as well as year-over-year occupancies.

Among residential companies, single-family homes for rent and apartments rose as elevated mortgage rates hindered home affordability, increasing the relative attractiveness of rentals. Manufactured homes declined, weighed down by a company that reported a weaker-than-expected quarter.

Self-storage REITs, which sold off sharply in the prior month, advanced as fundamentals showed signs of bottoming.

Office landlords, which outperformed in October as coastal office property owners reported supportive leasing data, trailed in November. Industrial REITs continued to lag, as the sector faces uncertainty around when demand will begin to reaccelerate. Health care companies also trailed overall, despite continued gains from a large senior housing index constituent.

European real estate securities were restrained by concerns around the region's economic growth. Questions remain around how the incoming U.S. presidential administration's policies will impact European economies (e.g., tariffs).

The core European Union economies are in a low-growth/lower-inflation environment, with particular weakness in Germany. Macro headwinds aside, Germany was lifted on strength among residential companies, which broadly fared well in the region. In Spain, which advanced in local currency terms, a diversified landlord outperformed on strong operational results.

In France, listed real estate stocks largely declined amid ongoing political and government budget turmoil. Performance among retail companies was mixed; industrial and office companies trailed.

In the U.K., a diversified developer outperformed on earnings results that came in above expectations, plus an outlook upgrade. Self-storage companies underperformed; earnings results indicated that fundamentals were weaker than the market had expected, suggesting the recovery in self-storage demand has yet to come to fruition. Sweden, which tends to be a relatively levered market, was weighed down by rising interest rates. In Belgium, an industrial REIT underperformed

Performance in the Asia Pacific region was tempered by concerns related to the U.S. election and potential tariffs. The Australian REIT sector traded up in November against a backdrop of modestly lower global bond yields. This was partially offset (in U.S. dollar terms) by a depreciation of the Australian dollar over November. A mall landlord outperformed, benefiting from residential zoning changes in Greater Sydney that may allow it to build higher-density apartments (to sell or to let) on its existing mall sites.

An industrial and data centre developer advanced, benefiting from its growing, value-accretive logistics-to-data-centre conversion pipeline.

In Japan, developers were relatively weak, with large-cap developers among the worst performers. Among J-REITs, midcap office names fared relatively well as the Tokyo vacancy rate fell, while residential names trailed.

In Singapore, data centre REITs outperformed, while China-exposed names trailed following the U.S. presidential election results.

In Hong Kong, markets corrected in the wake of the U.S. presidential election. The market perceives a higher risk of trade tariffs and shallower interest rate cuts as potential macro headwinds to the region.

Portfolio Performance

Key contributors

• Security selection and an underweight in Singapore: Our non-investment in several companies with logistics exposure, including CapitaLand Ascendas REIT and Frasers Logistics & Commercial Trust, aided performance. The latter underperformed following an analyst downgrade and disappointing full-year 2024 distribution-per-unit estimates.

• Selection and an underweight in Sweden: Our non-investment in Sagax, Castellum and SBB contributed. Shares of SBB declined sharply as an analyst downgraded the company amid liquidity and solvency concerns.

• Selection in Australia: Our non-investment in NextDC aided performance. The data centre developer and operator has underperformed recently on concerns around nearer-term earnings growth, given its investment in new offshore market entries and larger greenfield land holdings.

An overweight in manufactured home landlord and developer Ingenia Communities rose (after lagging in recent months) on market speculation around potential corporate activity with a listed peer. Despite this speculation, the company's recent financial results have been encouraging.

Key detractors

• Stock selection and an overweight in the U.K.: Overweight allocations in self-storage landlords Safestore and Big Yellow Group detracted. Safestore gave its fourth-quarter trading update; while reported total revenue came in slightly below expectations, it expects full-year earnings to be broadly in line with consensus forecasts. Big Yellow Group reported earnings that missed expectations, driven by slightly softer operating fundamentals and higher operating expenses.

• Stock selection in Japan: Overweight allocations in large-cap developers Mitsubishi Estate and Mitsui Fudosan declined. Both companies showed overseas weakness in their first-half results, though domestic operations have exceeded expectations.

• Overweight and stock selection in France: Our overweight in pan-European retail landlord Klépierre underperformed.

Investment Outlook (Cohen & Steers commentary)

We believe global real estate offers attractive return potential relative to broad equities. An end to central bank tightening tends to be followed by notable strength in listed real estate performance. In addition, cash flows generally remain sound, and we anticipate healthy earnings growth for the remainder of 2024 and 2025.

We maintain a positive view of U.S. REITs, with a preference for assets with strong secular growth profiles and pricing power. Data centres should continue to benefit from strong demand for cloud computing and artificial intelligence.

The residential sector has been benefiting from affordability issues in the for-sale market, which have led to higher demand for rental housing. Within health care, we have a positive outlook on senior housing, where accelerating occupancy and pricing power are driving revenue growth higher.

We are underweight self-storage, as demand remains subdued (due in part to muted housing activity), though we have added recently in anticipation of an inflection in sector fundamentals. Within retail, we believe certain landlords with high-quality properties and strong external growth profiles stand to gain market share over time. However, we are mindful of the impacts that elevated inflation and a slowdown in the jobs market could have on the U.S. consumer.

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 see value opportunities in European real estate, but we are wary of rising geopolitical tensions in the region.

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 and self-storage, which tend to be more defensive and have structural growth characteristics. We also favour high-quality continental retail.

In Asia Pacific, we prefer countries with more favourable economic backdrops. Within Australia, we favour industrial, self-storage and residential developers; we are cautious on retail and offices. In Singapore, we are positive on underlying hospital fundamentals and continue to favour retail, as sales remain above pre-pandemic levels, which we believe should lead to an increase in rents. We have reduced our weighting in Japan; however, we favour developers with strong shareholder return potential. We continue to like hotels, although we have reduced our weighting due to the sector's yen sensitivity.

We remain cautious on Hong Kong on concerns around economic conditions in China.