Salt Sustainable Global Listed Property Fund Fact Sheet – July 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 31 July 2024

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$32.05 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 July 2024

Application	0.8662
Redemption	0.8626

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 31 July 2024

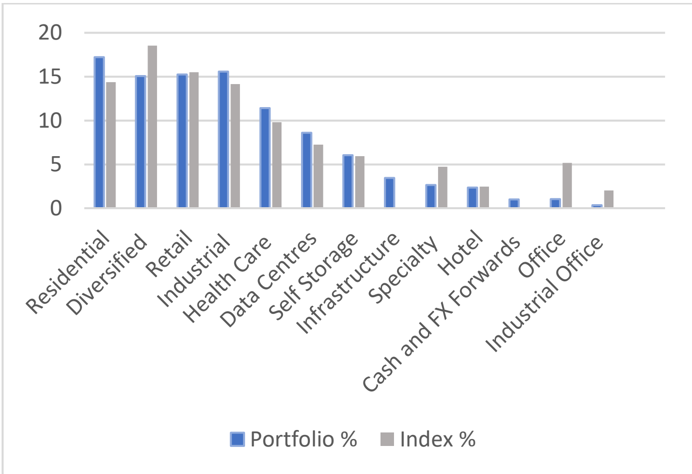
Global equities	99.0%
Cash, short term & sundry	1.0%

Fund Performance to 31 July 2024

Period	Fund Return	Benchmark Return
1 month	6.03%	5.63%
3 months	10.16%	9.51%
6 months	9.55%	7.56%
1 year	10.21%	8.14%
2 years p.a.	1.48%	-0.89%
Since inception p.a.	-0.13%	-2.87%

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

Fund Sectoral Weightings in % as at 31 July 2024



Source: Cohen & Steers

Top 10 holdings as at 31 July 2024	
Welltower	Realty Income Corp
Prologis	Goodman Group
Digital Realty Trust	Equinix
Simon Property Group	Iron Mountain
Invitation Homes	Sun Communities

The fund's top 10 holdings comprise 44.5% of the portfolio

Source: Cohen & Steers Monthly Report 31 July 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.73	6.59
MSCI ESG score	6.00	5.96

Source: Cohen & Steers Investment Report 31 July 2024

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SALT

Market Review

The Salt Sustainable Global Property Fund was strongly positive in July as interest-rate sensitive global equities improved on enhanced hopes of a US soft landing and equity sector rotation toward better-valued securities. Real assets respond positively to declines in bond yields, even as investors weigh the exact timing of interest rate cuts from central banks.

- July was a volatile month for markets. Weaker US labour market data and a weaker than expected US CPI set the tone and saw markets bring forward expectations of rate cuts by the US Federal Reserve. The Global Aggregate Bond Index returned 2.8% (in USD) and 1.9% in NZD over the month.
- Equities were more muted as investors became more skeptical about the ability of artificial intelligence and growth stocks more generally to continue to drive markets higher. Developed market equities rose 1.8% (in USD) and 4.4% in NZD over the month.
- In the US the July labour market report showed slowing employment growth, a higher unemployment rate and moderating wage growth. GDP data came in stronger than expected at an annualised 2.8% in Q2, but more recent higher frequency data pointed to a slowdown ahead. June CPI data came in under expectations, and just a few hours later the Fed opened the door to a September rate cut.
- In Europe, Purchasing Manager Index (PMI) data was weak, suggesting a moderation in growth over the summer. This also bolstered expectations of further rate cuts from the European Central Bank.
- The Bank of Japan continued its gradual normalisation of monetary policy in July, raising its policy rate 15 basis points from 0.10% to 0.25%. The BoJ is clearly comfortable with recent developments in wage growth and inflation expectations.
- July was also a busy month for northern hemisphere politics. The second round of French legislative elections turned the first round on its head. In the US there was an assassination attempt on the presumptive Republican nominee Donald Trump and President Biden decided not to see re-election.
- In China, ongoing problems in the property sector continue to impact activity in the broader economy. Private consumption remains particularly weak. The authorities continued their reactive and gradual approach to easing with a reduction in the Required Reserve Ratio and cuts to a range of interest rate instruments.
- In Australia the focus was on inflation and whether the Reserve Bank of Australia would resume interest rate hikes. It all hinged on the June quarter CPI outcome which was released on the last day of the month. While it came in higher than the most recent set of RBA forecasts, it was below market expectations and probably not sufficiently bad for the RBA to hike in August.
- In New Zealand, the key development was a dovish pivot from the Reserve Bank of New Zealand which was all the more surprising given it was only six weeks after their surprisingly hawkish outing in May. The change in tone clearly reflects the recent run of weak activity data, and signs from business surveys that firms pricing power is dramatically reduced given the weakness in activity. We see no reason why the RBNZ shouldn't start the unwinding of current restrictive monetary conditions in August.

Portfolio Review July 2024

Global real estate securities advanced in July as inflation moderated in various markets. The 10-year U.S. Treasury yield declined as falling inflation and a cooling labour market fuelled optimism for a rate cut from the U.S. Federal Reserve in September. The European Central Bank left rates unchanged after cutting its key benchmark interest rate in June.

In the U.S., real estate shares rose amid a pullback in real interest rates, as benign inflation data fuelled expectations for Fed interest rate cuts. Strength in REIT quarterly financial results also aided performance. Broadly, investors rotated into recently underperforming sectors. Shares of office REITs outperformed; leasing activity marginally improved against low expectations, and the market priced in increased odds of an economic soft landing. Industrial REITs rose strongly as the predominant index constituent rebounded from second-quarter weakness despite a lower fundamental outlook for the year. Among retail property types, shopping centres advanced amid signs of steady fundamentals, while regional malls gained relatively modestly following strong performance earlier in the year.

Free standing REITs rose, reflecting an improved cost of equity as a result of the recent market recovery. Health care REITs were lifted, albeit less than U.S. REITs broadly, on strong earnings results. One senior housing landlord bested market earnings estimates and raised its fiscal-year guidance. Among residential property types, manufactured homes advanced, while apartment REITs were roughly flat following strong second-quarter performance.

Single-family homes for rent declined; sentiment toward the for-sale market may have benefited from optimism around moderating home mortgage rates. Self-storage REITs rose modestly—negative updates among reporting storage landlords reflected cooling post-pandemic demand, but this appears to be bottoming. Data centre REITs, which had outperformed earlier in the year on strong secular trends, lagged as investors rotated into other sectors.

European real estate securities advanced amid optimism around contained inflation. Germany and Sweden tend to be sensitive to interest rates, and both gained (the former aided by strength in residential property types). France rose on gains among office and retail property types. An office developer reported increased revenues and improved margins. A retail operator posted strong earnings results, with improved occupancies. The U.K. also advanced, benefiting in part from the perception of improved political stability following the Labour Party's victory. Self-storage, residential and retail property types fared well, while health care and office trailed.

In the Netherlands, one retail-oriented name reported accelerated second-quarter earnings. In Spain, a diversified property owner raised capital for the expansion of its data centre business. In Belgium, health care names advanced; one company reported solid results and increased its fiscal-year 2024 outlook. Self-storage and logistics companies lagged.

The Asia Pacific region gained amid declining global government bond yields. The Australian REIT sector rallied in July against the backdrop of more dovish central banks and lower government bond yields globally. A slowing domestic inflation print for the second quarter of 2024 was also supportive. Residential developers outperformed; supply constraints continue to grow in Australia, and listed developers continue to gain market share from private companies against a challenging homebuilding and construction backdrop. An industrial developer lagged following strong performance, as investors rotated into value stocks.

In Singapore, the central bank remained on hold as inflation continued to trend down, with increased confidence that 2025 core inflation will reach 2%. Data centres and office property types advanced strongly, while industrial and hotel trailed.

In Japan, the yen appreciated sharply through the month ahead of the month-end BOJ meeting and amid rising expectations that the Fed would cut rates. Developers fared well; among J-REITs, cyclical names generally outperformed while large cap residential and logistics names trailed.

In Hong Kong, property stocks were mixed; developers fared better due to more dovish signals in the latest U.S. Fed meeting. Among landlords, retail names were weak following poor second quarter results from major European luxury retailers. A non-discretionary retail operator rebounded strongly on a lower 10- year government bond yield.

Portfolio Performance

The last eighteen months has been a turbulent period for listed Real Estate, as interest rate and inflation uncertainties have been in a tug-of-war with better valuations and fundamentals. The portfolio had a positive total return for the month, outperforming its benchmark for multi-year periods since inception.

Key contributors

• Stock selection in Japan: Overweight positions in developers Mitsui Fudosan and Sumitomo Realty & Development aided performance.

• Stock selection in the U.K.: An overweight in logistics operator Tritax Big Box REIT performed well.

• Overweight in Canada: The market rallied along with the U.S. in the month.

Key detractors

• Security selection in the U.S.: An overweight in Digital Realty Trust detracted as investors rotated into recently underperforming stocks. Overweight allocations in residential REITs Invitation Homes and UDR also hindered performance.

• Selection in France: An overweight in retail landlord Unibail-Rodamco-Westfield detracted following the company's announcement of a cost increase for its German development project.

• Selection in Australia: An overweight in Goodman Group lagged following strong performance, as investors rotated into value stocks. Our non-investment in residential developer Mirvac Group and mall landlords Scentre Group and Vicinity Centres also hindered performance.

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 in 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.

We see the residential sector benefiting from affordability issues in the for-sale market, which are leading to higher demand for rental housing, especially within single-family homes. However, elevated supply has made us cautious on Sunbelt multi-family markets. 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). Within retail, we believe certain landlords with high-quality properties and strong balance sheets 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. 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, and we continue to like hotels and offices. We remain cautious on Hong Kong given concerns around a China macro slowdown.