Salt Sustainable Global Listed Property Fund Fact Sheet – January 2025

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 January 2025

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$43.26 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 January 2025

Application	0.8590
Redemption	0.8555

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 January 2025

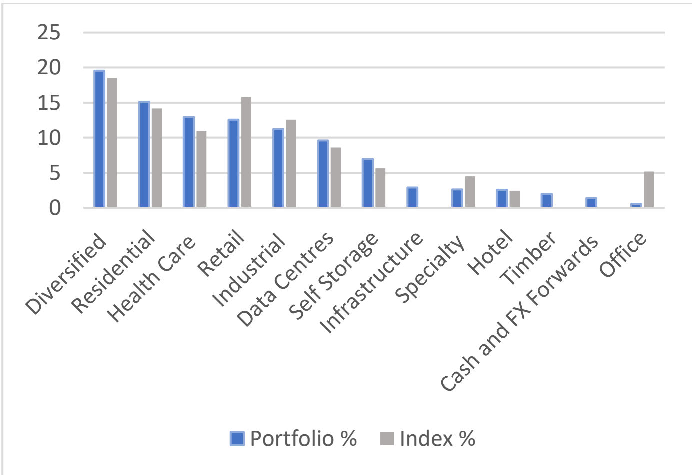
Global equities	98.59%
Cash & short-term	1.41%

Fund Performance to 31 January 2025

Period	Fund Return	Benchmark Return
1 month	1.85%	1.59%
3 months	-3.00%	-2.41%
6 months	1.31%	1.15%
1 year	10.99%	8.80%
2 years p.a.	5.31%	3.10%
3 years p.a.	-0.70%	-2.54%
Since inception p.a.	0.27%	-2.12%

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

Fund Sectoral Weightings in % as at 31 January 2025



Source: Cohen & Steers 31 January 2025

Top 10 holdings as at 31 January 2025	
Welltower	Invitation Homes
Prologis	Goodman Group
Digital Realty Trust	Sun Communities
Simon Property Group	Public Storage
Equinix	Mitsui Fudosan

The fund's top 10 holdings comprise 42.94% of the portfolio

Source: Cohen & Steers Monthly Report 31 Jan. 2025

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.85	6.67
MSCI ESG score	6.03	5.99

Source: Cohen & Steers Investment Report 31 Jan. 2025

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Market Review

The Salt Sustainable Global Property Fund rebounded in January, but trailed broader global equities. In the US, real rates spiked mid-month as inflation concerns mounted; rates then pulled back on reports of more benign economic data. The 10-year US Treasury yield was little changed for the month. The European Central Bank cut its benchmark rate by 25 basis points, as the region faces a continued weak growth outlook.

- It was a strong start to 2025 for developed market equities with a rise of 3.6% (in USD), led by Europe. Bond yields were volatile over the month with the global aggregate index eking out a +0.6% return (in USD) on tighter credit spreads.
- The return of Donald Trump to the White House and his "America First" agenda was positive for US equities, but the policy detail of tax cuts, immigration curbs and tariffs fuelled expectations of higher US inflation in the period ahead, pushing up sovereign yields.
- The emergence of the Chinese artificial intelligence company DeepSeek challenged the already stretched valuations of the US technology sector. Market concentration in the US tech sector is at record levels and is vulnerable to disruption or earnings disappointment.
- Europe's equity market outperformance over the month was aided by better economic data with the composite Purchasing Managers' Index (PMI) nudging into positive territory at 50.2 in January. The market was also helped by its lower exposure to technology. The European Central Bank cut the deposit rate 25bp to 2.75% at the end of the month.
- The Bank of Japan raised interest rates by 25bp to 0.5% at its January meeting. This reflects the Bank's growing confidence of sustained increases in wages and core inflation. Further interest rate increases appear likely.
- China saw more positive economic news over the month, suggesting past stimulus measures are having an impact. We also attribute some of the better manufacturing data to the front loading of exports to the US ahead of tariffs being imposed, which may not be sustained. Indications are that tariffs on China may be less aggressive than suggested prior to the US election.
- In Australia, better than expected inflation data has opened the door to first interest rate cut by the Reserve Bank of Australia in February. The interest rate cutting cycle appears likely to be short and shallow, especially given the ongoing tightness in the labour market.
- Activity data was mixed in New Zealand over the month, but on balance supportive of a bottoming out of the recent sharp decline in aggregate activity. Developments have been broadly in line with RBNZ projections, thereby providing nothing to dissuade the Bank from proceeding with the already flagged 50bp cut in the Official Cash Rate at its next meeting in February.

Portfolio Review January 2025

In the US, real estate shares rose amid generally healthy real estate fundamentals and modest improvement in inflation and economic data. Industrial REITs outperformed following weakness in the fourth quarter, with a bellwether landlord rallying on positive sentiment around the new administration's perceived pro-growth, anti-regulatory position. The company reported a strong increase in earnings in the fourth quarter.

Health care companies were lifted on outperformance from a senior housing specialist. Data released in January by the National Investment Center for Senior Housing indicated that occupancies are strengthening as supply continues to decline.

Free-standing retail companies outperformed shopping centres and malls. December retail holiday sales, while modestly below expectations, were generally healthy. Shares of shopping centres declined, affected in part by recent store-closure announcements and retailer bankruptcies.

Self-storage companies were flattish in the month, trailing the index. Commentary from an industry conference suggested that expectations for the sector remain muted, with little likelihood of positive outlook surprises heading into earnings season. Low expectations for a housing recovery in 2025 also weighed on sentiment. Among residential companies, manufactured homes outperformed apartments and single-family homes for rent.

Office landlords were weak following strong performance in 2024, as the sector continues to grapple with vacancies well above pre-pandemic levels. Hotels also lagged in what has been a tepid operating environment, characterized by pressured top-line growth margins.

Data centre REITs trailed on a release from a Chinese artificial intelligence (AI) company that implied faster-than-anticipated training scaling and efficiencies. The release is raising questions around the potential impact on demand for existing AI infrastructure.

European real estate securities outperformed, benefiting from an ECB rate cut and outperformance among student housing and retail landlords. Spain outperformed; shares of a diversified landlord gained on strong Spanish growth and the announcement that it had agreed to develop two new data centres. France was lifted by retail-oriented names, including one landlord that rose on optimism around its dividend distribution. In Belgium, an industrial REIT, the largest Belgian index constituent, outperformed amid positive sentiment from a US bellwether's earnings results. Performance among health care names was mixed.

UK listed real estate shares rose but lagged the continent as U.K. government bond yields remained elevated. Shares of an industrial landlord outperformed on enthusiasm around its entry into the data centre market and, at month-end, better-than-expected earnings results. Storage companies underperformed, with negative full-year figures reported from one landlord. In Germany, government bond yields rose during the first half of the month, as investors considered developments in the US, before falling later in the month. German listed real estate was flattish overall; residential companies were pressured by rising bond yields early in the month.

The Asia Pacific region was buoyed by Japan and a rebound in Australia. In Japan, developers performed well, particularly after the Bank of Japan announced at month-end that it would further raise the policy rate. The market viewed this as a “clearing” event and as a dovish hike, as Governor Ueda made no indication of faster-than-expected hikes.

Among REITs, diversified and office names rose, while defensive residential names trailed. Strength in the Australian REIT sector followed a broad stabilization in global bond yields. A manufactured home landlord and developer outperformed on an upgraded full-year earnings outlook.

A residential developer also outperformed, with an improving inflation outlook providing more comfort that rate cuts would be forthcoming over 2025. Data centre landlords lagged amid concerns around a Chinese AI startup.

In Singapore, health care and retail companies outperformed, while industrial and office landlords trailed. In Hong Kong, property stocks were hampered by a stronger US dollar and expectations for fewer US interest rate cuts. Developers underperformed, as Chinese New Year is usually a quiet period for residential sales. A large developer trailed, driven by news of debt refinancing troubles. Among landlords, a diversified company was relatively resilient, supported by the execution of its share buyback program.

Portfolio Performance

The portfolio had a positive total return for the January month, and outperformed its benchmark.

Key contributors

• Security selection in Australia: Our overweight position in manufactured home landlord and developer Ingenia Communities strongly outperformed after the company upgraded its full-year 2025 earnings outlook ahead of releasing first-half results in February.

• Selection in Japan: An overweight position in developer Mitsui Fudosan rose, likely in anticipation of strong earnings and amid initiatives to improve return on equity.

• Selection in the US: In the health care sector, our overweight in Welltower advanced amid indications of strengthening senior housing fundamentals. An out-of-index position in timber company Weyerhauser also aided performance.

Key detractors

• No allocation to Switzerland: Our non-exposure hindered performance, as Switzerland outperformed along with Europe broadly.

• Selection in the UK: An overweight in self-storage landlord Safestore declined on negative full-year figures.

• Overweight in Germany: Our overweight modestly detracted; German listed real estate underperformed as residential names were hindered by rising bond yields during the first half of the month.

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, we expect cash flows to accelerate into the medium-term.

A “no landing” environment of continued economic growth, rising long-term interest rates and healthy inflation could provide a positive backdrop for listed REITs. In such a scenario, net operating income growth tends to accelerate, and lending conditions loosen, mitigating the impact of rising financing costs.

We maintain a positive view of US 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 single-family rental sector has benefited 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 recent (and likely continuing) retailer bankruptcies and impacts that elevated inflation and a slowdown in the jobs market could have on the US 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 affecting 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.