Salt Sustainable Global Listed Property 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 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 December 2024

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$42.06 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 December 2024

Application	0.8446
Redemption	0.8411

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 December 2024

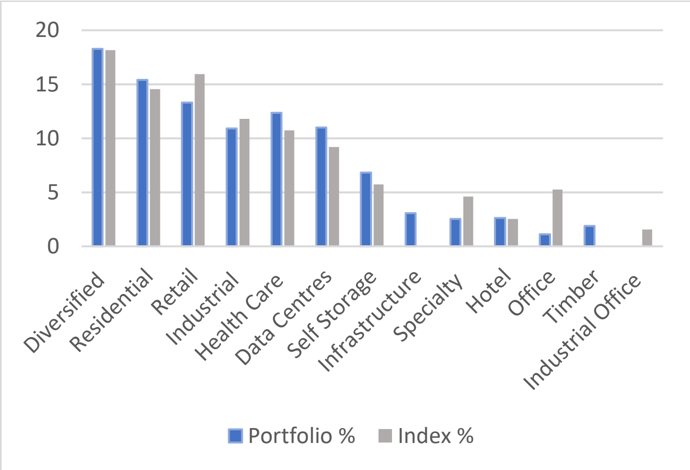
Global equities	99.35%
Cash & short-term	0.65%

Fund Performance to 31 December 2024

Period	Fund Return	Benchmark Return
1 month	-6.96%	-6.41%
3 months	-7.52%	-7.52%
6 months	5.47%	5.17%
1 year	5.59%	3.54%
2 years p.a.	8.73%	6.41%
3 years p.a.	-2.90%	-4.87%
Since inception p.a.	-0.28%	-2.64%

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

Fund Sectoral Weightings in % as at 31 December 2024



Source: Cohen & Steers

Top 10 holdings as at 31 December 2024	
Welltower	Invitation Homes
Digital Realty Trust	Public Storage
Prologis	Goodman Group
Simon Property Group	Sun Communities
Equinix	Iron Mountain

The fund's top 10 holdings comprise 44.16% of the portfolio

Source: Cohen & Steers Monthly Report 31 Dec. 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.85	6.67
MSCI ESG score	6.05	6.00

Source: Cohen & Steers Investment Report 31 Dec. 2024

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Market Review

The Salt Sustainable Global Property 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 31 December 2024

Global real estate securities rose modestly in 2024, with gains in the U.S. tempered by weakness in other regions. Interest rates influenced share prices during the year, with the market focused on the potential for central bank pivots following extensive monetary policy tightening. Investors also looked to the U.S. elections in November and the potential for tariffs under a new administration. The European Central Bank initiated the first of four 2024 rate cuts in June amid lower inflation and concerns around weak regional economic growth. The U.S. Federal Reserve followed suit in September with the first of three 2024 rate cuts. The 10-year U.S. Treasury yield was volatile but ended the year higher.

Though the Fed cut its benchmark rate twice in the fourth quarter, it projected more modest rate cuts in 2025 amid stubborn inflation and a resilient economy.

U.S. real estate securities rose in 2024, despite rising real interest rates toward year-end, backed by generally healthy real estate fundamentals. Regional malls and shopping centres outperformed amid indications that retailers generally remained committed to their store expansion plans. A mall operator cited the resiliency of the consumer, reporting gains in leasing and sales volumes as well as year-over-year occupancies. Data centre companies rose on the sector's strong demand backdrop and limited supply.

Health care REITs outperformed on strength in senior housing demand. Comments during a senior housing conference in September suggested that occupancies were accelerating, rental growth remained solid, and expenses were moderating. REIT sectors where the market anticipated a recovery in private values fared better than average in 2024. This included office landlords and, among residential property types, apartments.

Self-storage REITs, which are leveraged to the performance of the housing market, declined. While existing home sales toward year-end were at their highest reading in the previous seven months, they remained meaningfully below pre-pandemic averages. Meanwhile, mortgage rates remained at multi-year highs, driving low housing affordability for prospective buyers. Industrial landlords trailed as the sector faced uncertainty around when demand might begin to reaccelerate.

European real estate securities were restrained by concerns around the region's economic growth. Questions circulated around how the incoming U.S. presidential administration might affect European economies (e.g., on the matter of tariffs). General economic data pointed toward slowing growth and lower inflation, which may benefit real estate.

Germany was lifted (in local currency terms) on strength among residential companies. In France, which contended with political and government budget turmoil during the year, listed real estate stocks gained. Retail companies outperformed, while office and industrial companies trailed. Spain declined but bested the region overall, with outperformance from a diversified landlord that reported strong operational results. Sweden, which tends to be a relatively levered market, fell amid rising interest rates.

The U.K. significantly underperformed, as it contended with persistent inflation and sluggish economic growth. Self-storage companies underperformed; earnings results indicated that fundamentals were weaker than the market expected, suggesting the recovery in self-storage demand had yet to come to fruition. Office and industrial landlords also trailed, while retail and health care fared relatively well. In Belgium, self-storage and industrial REITs weighed on performance.

Performance in the Asia Pacific region was tempered by concerns related to the U.S. election and potential tariffs. The Australian REIT sector was among the strongest markets (in local currency terms) despite its sensitivity during the year to rising global bond yields. Strong gains came from an industrial and data centre developer that was included in the FTSE EPRA Nareit Developed Real Estate Index during the year. A mall landlord also rose, benefiting from residential zoning changes in greater Sydney that could allow it to build higher-density apartments (to sell or to let) on its existing mall sites. Industrial landlords trailed.

Japanese listed real estate rose in local currency terms. Shares of one developer benefited from the announcement of an activist investor stake. Hotels outperformed, and industrial lagged. In Singapore, data centre REITs outperformed, while China-exposed names trailed following the U.S. presidential election. In Hong Kong, markets were pressured during the year on China macro concerns.

Property markets corrected in the wake of the U.S. election results; the market perceived a higher risk of trade tariffs and shallower interest rate cuts as potential macro headwinds to the region.

Portfolio Performance

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

Key contributors

• Security selection in the U.S.: An overweight allocation in senior housing specialist Welltower significantly outperformed amid strong senior housing demand. An overweight in Digital Realty Trust rose on the sector's strong demand backdrop and limited supply. An overweight and the timing of our position in Iron Mountain also aided performance; the company's earnings results indicated strength in its data centre leasing business.

• Selection and an overweight in Australia: An overweight and the timing of our investment in industrial/data centre

developer Goodman Group benefited from its growing, value-accretive logistics-to-data-centre conversion pipeline. The company's shares were also included in the FTSE EPRA Nareit Developed Index during the year. An overweight and the timing of our investment in fund manager Charter Hall Group also aided performance.

• Selection and an underweight in Sweden: Our non-investment in industrial landlord Sagax and property developer Castellum contributed.

Key detractors

• Selection in Japan: An underweight and the timing of our investment in developer Mitsubishi Estate detracted. An overweight in logistics developer Mitsui Fudosan Logistics Park also hindered performance.

• Stock selection in Hong Kong: An overweight in developer Sun Hung Kai Properties detracted.

• Selection and an overweight in the U.K.: We held overweight allocations in logistics landlords Safestore, Tritax Big Box REIT and Big Yellow Group, which were pressured along with logistics-oriented real estate companies globally.

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 2025.

Further, 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 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 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 continued retailer bankruptcies, as well as 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 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.