Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – May 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 May 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$49.96 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 May 2024

Application	0.9985
Redemption	0.9944

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 May 2024

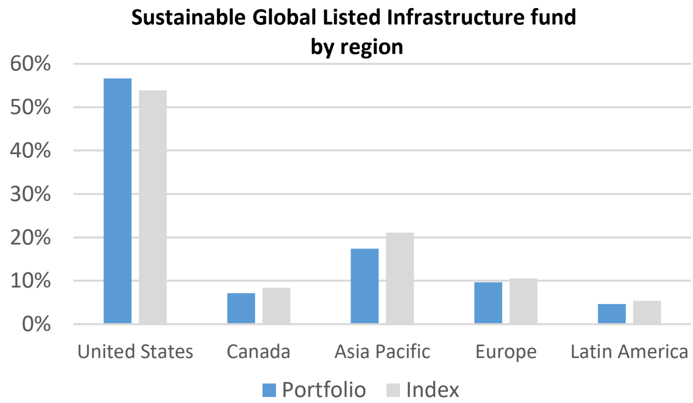
Global equities	98.64%
Cash, Short term, Sundry	1.36%

Fund Performance to 31 May 2024

Period	Fund Return*	Benchmark Return
1 month	4.49%	4.38%
3 month	7.55%	7.33%
6 month	11.30%	10.29%
1 year	11.43%	9.93%
2 years p.a.	1.75%	0.00%
Since inception p.a.	4.63%	2.68%

*Performance is before fees and PIE tax and adjusted for imputation credits. Benchmark performance is gross. Past performance is not a guarantee of future results. Data as of 31 May 2024.

Fund regional weightings as at 31 May 2024*



Source: Cohen & Steers, Salt *data to 31 May 2024

Top 10 holdings	sector		sector
Next Era Energy	Electric	NiSource	Gas Dist.
American Tower	Towers	Cheniere Energy	Midstream
Duke Energy	Electric	Norfolk Southern	Freight Rail
PPL	Electric	Public Service Enterprise Group	Electric
TC Energy	Midstream	PG & E	Electric

The fund's top 10 holdings comprise 41.4% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 31 May 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.58	6.41
MSCI ESG score	6.38	6.28

Source: Cohen & Steers Investment Report, 31 May 2024

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Market Review

Listed infrastructure posted strong gains in May and outperformed the broader equity market. Global stock markets rebounded, with several U.S. market indexes again setting record highs in May.

Investors reacted positively to generally better-than-expected corporate earnings reports and better-than-anticipated inflation. The U.S. Federal Reserve kept interest rates steady at its May (and June) meetings. Select communications and electric utility stocks led listed infrastructure, while railways and toll roads lagged.

The Fund performed above the Index for May month, outperforming by 0.1% (before fees.) For the three months to May, the fund outperformed its benchmark by 0.2%. The fund was well ahead of its benchmark over the last six months (leading by +1.0%) and over the last year (outperforming by +1.50% before fees.)
Over the last two years, and since inception, the fund has remained comfortably ahead of its benchmark.

- The month of May saw positive returns for both developed market equities and fixed income. Ongoing optimism about a global soft landing supported risk assets while anticipated rate cuts spurred bond markets to a positive return. Developed market equities rose +4.5% (in USD) over the month while the global aggregate bond index was up +1.3% (in USD) over the same period.
- In the US activity data surprised mostly to the downside. Most importantly, April payrolls came in below expectations and the unemployment rate rose. April CPI data was in line with expectations following three months of higher-than-expected numbers. Earlier in the month the Fed kept policy unchanged but highlighted the lack of progress towards the 2% inflation. This was interpreted by markets as a delay in rate cuts, rather than a return to rate hikes.
- Economic activity continues to improve in Europe. PMI data released during the month shows the recovery is being driven by the services sector, but there are also signs of improvement in manufacturing. Despite the annual rates of headline and core inflation accelerating in May, progress over the last few months is expected to still give the ECB sufficient confidence to start cutting interest rates at their June meeting.
- The weakness in the Yen continues to be a key focus in Japan. While this is usually positive for Japan exports and the export heavy Topix, the very low level of the Yen is starting to impact negatively on consumer confidence. Japanese stocks were one of the regions weakest performers in May.
- Activity data in China is generally surprising to the upside, though a look under the hood reveals a strong performance from exports alongside ongoing weakness in domestic demand. Problems in the real estate sector remain unresolved and pose a key risk to the outlook.
- The Reserve Bank of Australia kept monetary policy unchanged at its May meeting and was less hawkish than expected, despite higher-than-expected March quarter inflation. Policy guidance remained unchanged in “not ruling anything in or out”.

Portfolio Review May 2024

Listed infrastructure posted strong May gains and outperformed the broader equity market. Returns remained robust over the three- and six-month, and one year periods.

Investors grew increasingly cautious amid the uptick in volatility, and defensive sectors generally outperformed more cyclical ones. In this context, listed infrastructure pulled back but held up better than the overall market.

Communications surged, and electric utilities outperformed other regulated utilities. The communications sector (9.0% total return) recorded a substantial gain for the month, soundly reversing its downward slide as investors sought value in prior market laggards. Electric utilities (6.2%) also rose sharply, spurred by investor enthusiasm about increasing demand for electricity to support the rapidly expanding growth of artificial intelligence (AI) applications and reshoring of manufacturing. Gas distribution companies (4.1%) and water utilities (2.4%), though positive, did not keep pace.

Economic concerns weighed on commercial infrastructure sectors. Midstream energy (4.2%) performance continued to show gas-focused operators outperforming their more oil-focused peers. Stock-specific factors impacted marine ports (3.3%), and the sector saw some profit-taking activity after strong performance earlier this year.

Railways (–0.1%) posted the weakest returns in the index for May, as investors assessed how slowing growth might weigh on future earnings. Passenger transportation–related sectors underperformed. Airports (2.9%) lagged the broader infrastructure asset class, with mixed performance within the group. Mexican airport operators pulled back on profit-taking as well as concern about the prospect of a slightly less market-friendly administration winning the early-June presidential election.

Conversely, European airport operators released strong earnings that fuelled healthy share gains. Performance in toll roads (0.3%) was lacklustre, as a disappointing analyst day update hampered shares of Australia-based Transurban Group—the dominant index constituent.

Portfolio performance

Key contributors

• Stock selection in electric utilities (6.2% total return in the index): Overweight positions in one Japan-based and several U.S.-based electric utilities benefited performance. These companies have substantial nuclear and/or renewable assets that can produce lower-cost electricity, positioning them competitively to benefit from the projected increase in electricity demand due to rapid growth in data centres and AI applications.

• Stock selection in communications (9.0%): An overweight position in American Tower contributed, as its shares posted double-digit gains. In its end-of-April earnings release, the company raised its full-year guidance based on demand growth in mobile data and high-bandwidth wireless services.

• Underweight allocation to toll roads (0.3%): Toll roads underperformed, and an underweight sector exposure aided relative results. Transurban Group, a large index constituent, held an analyst day that underwhelmed investor expectations.

Key detractors

• Stock selection in marine ports (3.3%): An overweight position in Santos Brasil, a Brazil-based port operator, detracted from performance. After a strong run-up in recent months, the stock pulled back in May as investors took profits and assessed the long-term potential for competing ports in the region.

• Security selection in gas distribution (4.1%): An overweight position in U.S.-based NiSource was detrimental. Despite recently releasing earnings that beat consensus estimates and raising its full-year profit forecast, shares languished in May. The firm was left on the sidelines as the market focused on those companies expected to benefit from AI data centre growth.

• Security selection in airports (2.9%): An overweight exposure to Mexico-based Groupo Aeroportuario del Sureste hurt relative returns. Investor profit-taking pressured shares, as Mexican airport stocks had outperformed in recent months. Skittishness about the potential for more restrictive business reforms being enacted after the June presidential election in Mexico was also a headwind for the stock.

Investment Outlook (Cohen & Steers commentary)

We seek to maintain a generally balanced portfolio, although with a somewhat defensive tilt given the current environment of mixed economic data. We maintain a preference for higher-quality businesses that we believe can perform relatively well in a below-trend growth environment. We are also focused on the potential capital needs of individual companies to strengthen their balance sheets.

We 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.

We continue to closely monitor the impact of higher financing costs and tighter financial conditions across the infrastructure universe. We remain focused on infrastructure companies that have strong balance sheets, with limited near-term maturities and manageable refinancing schedules.

Persistent inflation and “higher for longer” interest rates may be a headwind for certain sectors. However, most infrastructure businesses can generally pass rising costs along to consumers; as a result, they have tended to perform well during periods of above-average inflation.