Salt Sustainable Global Listed Property Fund Fact Sheet – August 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 August 2024

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$33.53 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 August 2024

Application	0.9061
Redemption	0.9024

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 August 2024

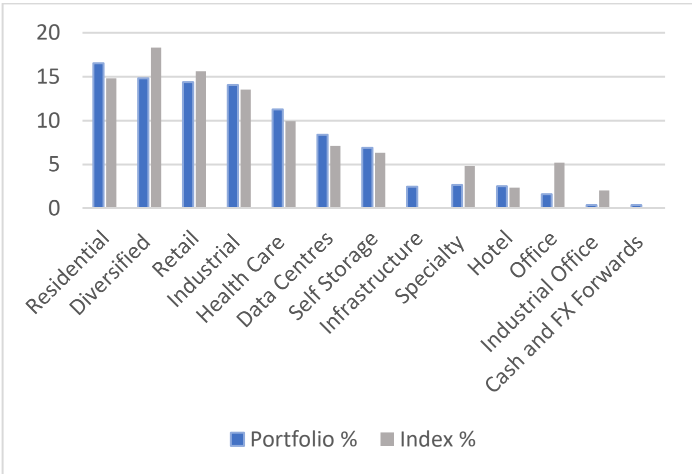
Global equities	99.7%
Cash, short term & sundry	0.3%

Fund Performance to 31 August 2024

Period	Fund Return	Benchmark Return
1 month	4.74%	5.01%
3 months	11.13%	11.75%
6 months	14.10%	13.05%
1 year	18.06%	16.59%
2 years p.a.	6.69%	4.58%
Since inception p.a.	1.45%	-1.17%

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

Fund Sectoral Weightings in % as at 31 August 2024



Source: Cohen & Steers

Top 10 holdings as at 31 August 2024	
Welltower	Realty Income Corp
Prologis	Equinix
Digital Realty Trust	Public Storage
Simon Property Group	Goodman Group
Invitation Homes	Iron Mountain

The fund's top 10 holdings comprise 41.0% of the portfolio

Source: Cohen & Steers Monthly Report 31 Aug. 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.80	6.63
MSCI ESG score	5.98	5.96

Source: Cohen & Steers Investment Report 31 August 2024

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Market Review

The Salt Sustainable Global Property Fund was strongly positive in August 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.

- The volatility that prevailed in markets over July continued into the early part of August. Disappointing US labour market, combined with an interest rate hike from the Bank of Japan saw a sharp sell-off in global equity markets. A degree of order was restored later in the month as markets began to price in more aggressive policy easing from the US Federal Reserve and solid earnings results suggested little chance of imminent US recession.

- Developed market equities ended 2.7% higher over the month while the global aggregate bond index rose 2.8%. Interest rate sensitive asset classes also performed well with the global REITs index up 6.2%. All percentage changes are in USD terms. In NZD terms, however, the 5% gain in NZD/USD led to unhedged global shares declining -2.6% in August month.

- In the US the July jobs report showed the smallest payrolls gain (+144k) in over three years, while a stronger participation rate saw the unemployment rate rise to 4.3%. Recession fears were further fueled by a weak ISM manufacturing index. This led to market pricing in over 100bp of policy easing by the Federal Reserve at points.

- The Bank of Japan's decision to increase its policy rate by 25bp combined with the hawkish tone set of Governor Ueda led to an abrupt unwinding of carry trade positions, whereby investors relied on cheap borrowing costs in Japan to invest in other higher yielding assets.

- Despite a bounce in the Euro zone composite Purchasing Managers Index because of the Olympics in France, underlying data remained weak across the currency bloc. Earnings from cyclical companies disappointed, adding to the weak tone.

- Property market problems in China continue to weigh on the broader economy. Growth in retail sales increased 2.7% y-o-y in July, up from 2.0% in June. This improvement is largely driven by the low comparison base last year. Despite the improvement, retail sales growth remains weak compared to pre-COVID levels. Policy support remains modest and reactive

- The Reserve Bank of Australia delivered a hawkish message at its August meeting, again "not ruling anything in or out". Governor Bullock pushed back on suggestions of early rate cuts, saying that "doesn't align with the Board's current thinking".

Portfolio Review August 2024

Global real estate securities advanced in August as interest rates moderated in various markets. The 10-year U.S. Treasury yield declined as the Fed signalled that a rate cut was imminent amid easing inflationary pressures and a cooling labour market. The Bank of England cut its benchmark rate, while falling EU inflation helped fuel market expectations for a September cut by the ECB.

In the U.S., real estate shares rose amid a pullback in the 10-year Treasury yield and real interest rates. Self-storage REITs outperformed, with optimism for a recovery driven by improved housing mobility. Further, a resilient consumer has been supportive of increases in existing customer rates.

Among residential property types, shares of apartment companies advanced, benefiting from better-than-expected earnings results. Among retail property types, regional malls were lifted by gains in shares of a class-A operator, which reported solid fundamental trends. Shopping centres performed roughly in line with the benchmark. Health care REITs rose on strength in senior housing property types. Also, the final ruling by the Centres for Medicare & Medicaid Services for skilled-nursing rates was better than expected, benefiting companies with skilled nursing exposure. Free standing REITs, which tend to be sensitive to interest rates, also outperformed.

Data centre landlords gained but trailed the index following outperformance earlier in the year. Strong commentary on data centre demand from a prominent chipmaker was a positive readthrough for the sector. Office REITs lagged on weakness among West Coast landlords, as one company lowered its net-operating-income outlook. Industrial companies were hindered by concerns around soft rental growth, which a bellwether company expects to persist over the next 12 months.

European real estate securities advanced as eurozone inflation eased. Earnings releases were generally in line with expectations, pointing to a bottoming of asset values in certain sectors (e.g., office, residential). In Germany, a large residential real estate company reported solid first-half results and raised the upper end of its outlook. In Spain, a diversified property owner raised $1 billion of capital to invest in its data centre pipeline. France benefited from solid earnings reports among office property types. In Sweden, a logistics company executed an equity raise, utilizing its strong cost of capital to look for acquisition opportunities. In the Netherlands, retail-oriented names gained. In Belgium, a self-storage company significantly outperformed.

Broadly, the self-storage sector is seeing improvement in fundamentals, driven by expectations for a rate-driven recovery in the housing market. Health care operators also advanced. Industrial REITs trailed along with the sector broadly.

In the U.K., the Bank of England cut its benchmark interest rate at the start of the month, although there could be a pause at the next policy meeting. Shares of U.K. listed real estate companies were flat for the month, trailing continental Europe. Self-storage and health care companies outperformed, while retail and industrial names trailed.

The Asia Pacific region rose as government bond yields declined. In Hong Kong, markets rebounded from recent weakness amid expectations for an imminent U.S. Fed rate cut. Landlords that did not cut dividends in their first-half 2024 results outperformed most.

Developers generally rallied to a lesser extent, especially those with balance sheet issues or less residential pipeline. In Singapore, industrial REITs rose amid lower interest rates, while office landlords were weak due to concerns around new supply and high leverage.

The Japanese listed real estate sector trailed amid volatility in the wake of the hawkish commentary from the BOJ and unwinding of the yen carry trade. Large-cap office JREITs, residential and logistic REITs outperformed, while hotel REITs lagged due to concerns around a stronger yen.

The Australian REIT sector declined modestly in local currency terms. An industrial developer, which has been benefiting from a growing data-centre pipeline, declined in August following substantial year-to-date outperformance. Although the company reported an in-line earnings result, the market had been looking for nearer-term earnings upside and continued to rotate into laggard value / cyclical names.

Portfolio Performance

The last few months has seen a very strong upward-adjustment period for listed Real Estate, as interest rate and inflation uncertainties diminished, and the focus has moved onto better valuations and fundamentals. The portfolio had a positive total return for the month, and while it has lagged its benchmark slightly in the last three months, it continued outperforming its benchmark for multi-year periods since inception.

Key contributors

• Security selection in Australia: An out-of-index position in Charter Hall Group significantly outperformed after providing much stronger than expected fiscal-year earnings guidance underpinned by an inflecting transactional and fundraising backdrop.

• Stock selection in the U.K.: An overweight position in self-storage REIT Safestore rose as sector fundamentals are broadly showing signs of recovery.

• Underweight in Singapore: We were underweight the country's currency, which depreciated during the period.

Key detractors

• Security selection in the U.S.: An overweight in Digital Realty Trust and an out-of-index position in Crown Castle International detracted as technology REITs trailed in the month.

• Selection in Japan: Our non-investment in office J-REIT Nippon Building Portfolio detracted, along with an overweight in hotel and residential J-REIT Invincible Investment.

• Overweight in the U.K.: The overweight in the underperforming market offset the effect of favourable stock election in the country.

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), 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 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. 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; however, we have reduced our underweight.

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