Salt Sustainable Global Listed Infrastructure 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 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 August 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$82.64 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 August 2024

Application	1.0761
Redemption	1.0717

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 August 2024

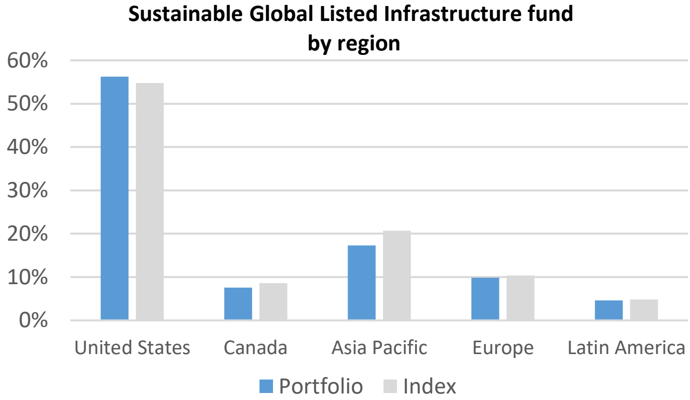
Global equities	99.11%
Cash, Short term, Sundry	0.89%

Fund Performance to 31 August 2024

Period	Fund Return	Benchmark Return
1 month	3.25%	2.91%
3 month	8.20%	7.22%
6 month	16.37%	15.08%
1 year	21.96%	19.37%
2 years p.a.	6.44%	4.25%
3 years p.a.	6.89%	4.82%
Since inception p.a.	6.99%	4.85%

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

Fund regional weightings as at 31 August 2024*



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

Top 10 holdings	sector		sector
Next Era Energy	Electric	Public Service Enterprise Group	Electric
American Tower	Towers	PG & E	Electric
TC Energy	Midstream	Intl Container Terminal Services	Marine Ports
Duke Energy	Electric	Pembina Pipeline	Midstream
NiSource	Gas Distr.	Norfolk Southern	Freight Rail

The fund's top 10 holdings comprise 37.0% of the portfolio.
Source: Cohen & Steers Monthly Investment Report, 31 August 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.77	6.47
MSCI ESG score	6.45	6.30

Source: Cohen & Steers Investment Report, 31 August 2024

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Market Review

Listed infrastructure posted gains in August and outperformed the broader equity market. Investors reacted positively to generally better-than-expected corporate earnings outlooks and better-than-anticipated inflation. The U.S. Federal Reserve kept interest rates steady but strongly guided markets to expect a September policy easing, which we expect to support assets. Over the last year, two years, and since inception, the fund has remained comfortably ahead of its benchmark.

- 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

Listed infrastructure continued to rise in August and outperformed the broader equity market. After getting off to a shaky start, global equities rebounded and posted gains for August. Investors were reassured by the increased likelihood that the U.S. interest rate–cutting cycle would begin soon, as well as by encouraging early earnings reports. Inflation continued to moderate, partly driven by slowing wage growth in a cooling labour market. With the Fed signalling a pivot to monetary policy easing, interest rate–sensitive sectors outperformed growth-oriented sectors.

Within listed infrastructure, midstream energy and electric utilities outperformed, while marine ports and railways underperformed.

Commercial infrastructure sectors varied widely. Amid an environment of increased market volatility, midstream energy posted strong gains for the month, as investors sought out these companies for their generally solid fundamentals and healthy balance sheets. Conversely, marine ports and railways lagged—posting negative sector returns—as slowing economic growth weighed on performance.

Electric utilities outperformed, but communications, gas distribution and water utilities lagged. Investors flocked to the predictability and defensive characteristics of electric utilities in August. Communications retrenched in the month after posting strong gains in July. Gas distribution and water utilities rose but underperformed the broader asset class.

Passenger transportation–related sectors were mixed. Toll roads performed well, as the shares of an Australia-based company—the dominant index constituent—posted solid gains following recent weakness. The airports sector lagged, held back in part by the underperformance of several Mexican airport operators. Lower passenger volumes weighed on the shares.

Portfolio performance

Key contributors

• Stock selection in marine ports: An overweight position in a Philippines-based port operator aided relative performance, as the shares posted a double-digit gain in August. The company continued to see strong freight container volumes through its ports and reported earnings in August that exceeded consensus expectations.

Additionally, an underweight position in an India-based operator helped, as the shares were pressured in the month amid profit-taking (after a run of strong performance).

• Stock selection in electric utilities: Contributors included overweight positions in two U.S.-based electric utilities, which are attractively priced relative to our fair value assessment, were beneficial. Additionally, the timing of our investment in another U.S.-based electric utility contributed. We tactically sold the position in July, as we anticipated the Texas utility could face political and regulatory backlash for its poor communication and outage restoration during Hurricane Beryl. Consequently, to rebuild confidence and strengthen the balance sheet, the company issued additional equity sooner than had been expected. We participated in that equity offering in August—at an attractive valuation—and shares have performed well since, as political noise has moderated.

• Stock selection in railways: A lack of exposure to a U.S.-based freight rail operator and a Brazil-based railway contributed positively to relative performance. The companies posted weak returns as investors assessed how slowing growth might weigh on future earnings.

Key detractors

• Stock selection in airports: An overweight holding in a Mexico-based airport operator hurt relative returns. Weaker-than- expected passenger traffic in Mexico contributed to the stock's decline, as did investor profit-taking (following prior outperformance).

• Stock selection in midstream energy: The choice not to own two North American midstream energy companies was detrimental in the month, as the companies outperformed. However, the negative impact of stock selection was partially offset by a beneficial overweight in the sector.

• Overweight allocation in gas distribution: The relatively defensive sector had a positive total return in the month but lagged behind the more rate-sensitive infrastructure sectors.

Investment Outlook (Cohen & Steers commentary)

We seek to maintain a generally balanced portfolio, although now with a more defensive tilt given continuing signs that the economy may be slowing. 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. However, we are also closely monitoring customer affordability.

Despite the recent easing of financial conditions, we continue to closely monitor the impact of the cost of capital on companies in our infrastructure universe. We remain focused on infrastructure companies that have strong balance sheets, with limited near-term maturities and manageable refinancing schedules.