Salt Sustainable Global Listed Property 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 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 May 2024

Benchmark	FTSE EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$30.22 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 May 2024

Application	0.8185
Redemption	0.8151

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 May 2024

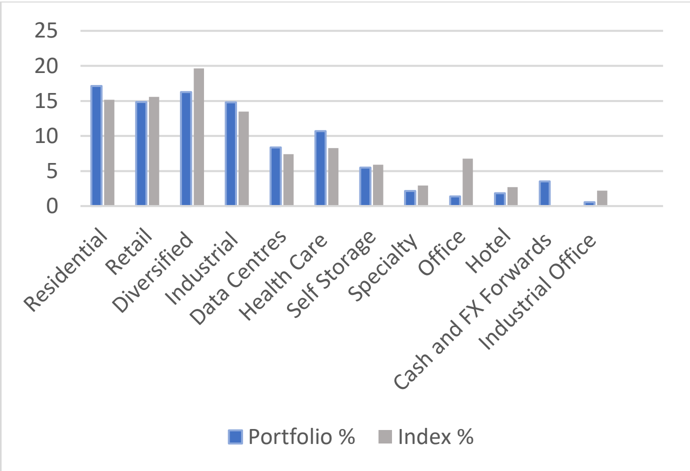
Global equities	99.7%
Cash, Short term & Sundry	0.3%

Fund Performance to 31 May 2024

Period	Fund Return*	Benchmark Return
1 month	3.82%	2.90%
3 months	2.67%	1.16%
6 months	7.34%	5.89%
1 year	10.77%	8.08%
2 years p.a.	-1.21%	-4.19%
Since inception p.a.	-2.30%	-5.25%

*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 at 31 May 2024.

Fund Sectoral Weightings in % as at 31 May 2024



Source: Cohen & Steers

Top 10 holdings as at 31 May 2024	
Prologis	Realty Income Corp
Welltower	Goodman Group
Digital Realty Trust	Equinix
Invitation Homes	Sun Communities
Simon Property Group	Essex Property Trust

The fund's top 10 holdings comprise 43.0% of the portfolio

Source: Cohen & Steers Monthly Report 31 May 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.33	6.08
MSCI ESG score	5.97	5.93

Source: Cohen & Steers Investment Report 31 May 2024

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Market Review

The Salt Sustainable Global Property Fund rebounded by 3.8% in May (before fees) as interest-rate sensitive global equities improved on enhanced hopes of a US soft landing. Real assets responded positively to a decline in bond yields, even as investors become more realistic about the timing of interest rate cuts from central banks.

The Fund's monthly return was above the benchmark's gross return by 0.92%. Relative performance for the three-month period saw the fund outperform the benchmark, at 2.67% (gross) compared with -1.16% for the index. Over the year to 31 May, the Salt fund has performed comfortably ahead of its benchmark return, gaining 10.77% (before fees) compared to a rise of 8.08% for the index, giving a gross outperformance of 2.69%.

Since inception, the Fund has outperformed its benchmark by 2.95% p.a. Absolute returns for the 2024 year to May were just positive, but the path continues to be erratic as sentiment on lower future interest rates continues to fluctuate, regarding both the timing and scale of monetary policy easings, and uncertainty on rates continues to dominate near-term returns. Sentiment has improved recently.

- 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

Global real estate securities rebounded in May amid generally improving sentiment around global macro conditions. The 10-year U.S. Treasury yield retreated in the month as the U.S. labour market showed signs of normalizing, inflation eased slightly, and U.S. Federal Reserve chair Jerome Powell issued comments suggesting that an increase in the Fed's benchmark interest rate was unlikely. With improving inflation data in Europe, market participants have been widely expecting the European Central Bank (ECB) to cut its benchmark interest rate in June, as indeed occurred (by 25bps.)

In the U.S. (4.7% total return), real estate shares rebounded, along with equities broadly, as investors shook off April's hawkishness on signs of moderating economic data. Health care REITs outperformed, benefiting from continued healthy fundamentals among both senior housing and medical office property types.

Among retail property types, a Class A regional mall operator significantly beat market expectations for earnings, pointing to the resiliency of its consumers. The company is seeing strong tenant demand (despite economic uncertainty), which is leading to strong leasing momentum and occupancy trends. Shopping centres and free-standing REITs trailed, the latter pressured toward month-end as interest rates edged higher following a weak Treasury auction. Industrial REITs were lifted by a rebound in shares of a bellwether name that had been pressured in April after lowering its outlook.

Data centres advanced; shares of a California-based REIT gained after the company announced that an audit committee had determined its financial reporting had been accurate and that it would not need to restate its financial statements.

Among residential property types, manufactured homes rose but lagged U.S. REITs broadly. Apartments and single-family homes for rent trailed following outperformance in April. Net-lease gaming REITs were pressured as interest rates rose towards the end of the month. Also weighing on gaming shares was concern around the U.S. consumer and whether the Las Vegas Strip was peaking. Office REITs trailed on little news and with little to suggest that occupancies will improve in the near term. Hotel REITs declined on concerns around leisure demand, which may revert to pre-Covid levels.

European real estate securities outperformed amid declining inflation and expectations for an imminent interest rate cut from the ECB. The Netherlands (9.5%), composed largely of retail-oriented property companies, outperformed.

Spain (8.1%) rose, lifted in part by shares of a company that has diversified part of its business into data centres. Germany (7.3%) advanced across property types. France (5.4%) rose as high-quality retail properties in continental Europe continued to perform well. In Belgium (5.2%), logistics specialists outperformed. In the U.K. (5.5%), inflation fell, and the economic environment continued to improve. Shares of U.K. self-storage companies strongly outperformed amid signs of improving occupancy growth heading into what tends to be a seasonally strong leasing period. Office and industrial property types also advanced, while retail and health care trailed. Sweden (3.4%) trailed, with relatively weak performance among industrial/office and diversified property types.

The Asia Pacific region had mixed performance. The Australian REIT sector (2.0%) traded modestly up in May, with long-term government bond yields broadly stable. The Australian dollar appreciated against the U.S. dollar over the month on the back of softening U.S. data and an inflecting China macro backdrop. An industrial developer and fund manager continued its strong outperformance. The company continues to benefit from a growing logistics-to-data-centre pipeline, with estimates of value accretion increasing.

In Singapore (0.1%), hospitality REITs outperformed after strong revenueper-available-room data was reported for the first quarter of 2024. A data centre REIT rose, potentially benefiting from improved China sentiment and expectations that it could acquire another Singapore data centre from its sponsor. Health care property types trailed.

In Hong Kong (–1.2%), markets rallied strongly in the first half of May, driven by hopes for policy stimulus targeted specifically at the China property sector. While policies were confirmed, their magnitude disappointed, and the market corrected sharply in the second half of the month. Performance among developers was mixed. Among landlords, a China retail–related name trailed after reporting a year-over-year decline in its China malls for the first quarter of 2024.

In Japan (–6.0%), real estate stocks fell following strong year-to-date performance. Developers reported full-year earnings and released guidance with few surprises, giving the market reason to take profit. J-REITs were pressured amid the sharp rise in the 10-year Japanese government bond yield.

Portfolio Performance

The last eighteen months has been a turbulent period for listed Real Estate, as interest rate and inflation uncertainties have been in a tug-of-war with better valuations and fundamentals. The portfolio had a positive total return for the May month, and the year to May, outperforming its benchmark for multi-year periods since inception.

Key contributors

• Stock selection in the U.S. (4.7% total return in the index): An overweight allocation in Welltower benefited from continued strong senior housing fundamentals. We were also overweight Healthcare Realty Trust, which advanced after reporting better-than-expected leasing. The company also announced a joint venture with a private equity firm that is expected to result in deleveraging and stock buybacks.

• Selection in the U.K. (5.5%): Overweight allocations in self-storage companies Safestore and Big Yellow rose amid signs of improving occupancy growth in the sector (heading into a potentially strong leasing period).

• Security selection in Australia (2.0%): Our non-investment in residential developer Mirvac Group and office landlord Dexus contributed.

Key detractors

• Stock selection in Japan (–6.0%): Overweight allocations in Sumitomo Realty & Development and Mitsui Fudosan detracted; the market took profits from Japanese developers in the month.

• Stock selection in Canada (0.1%): An overweight in Dream Industrial REIT hindered performance amid softer demand in the Canadian industrial market. We believe the fundamental thesis for Canadian industrial remains intact given the market's supply constraints.

• Stock selection in Singapore (0.6%): We were overweight Parkway Life Real Estate, a health care company that declined in 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, cash flows generally remain sound, and we anticipate healthy earnings growth in 2024.

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, increasingly, 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). 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 potential 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, and we continue to like hotels and offices. We remain cautious on Hong Kong on concerns around a China macro slowdown.