Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – June 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 30 June 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$50.16 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 June 2024

Application	0.9819
Redemption	0.9779

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 30 June 2024

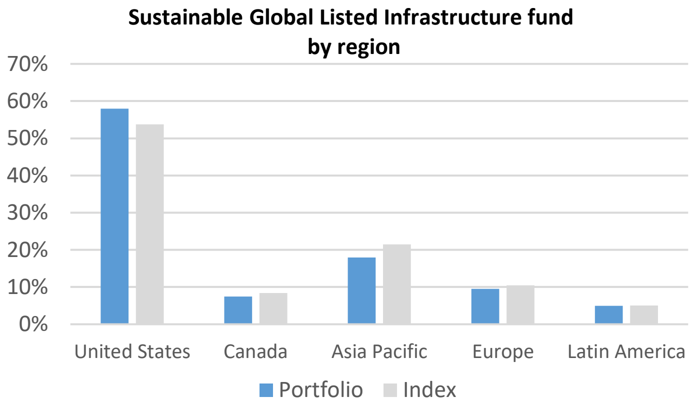
Global equities	97.87%
Cash, Short term, Sundry	2.23%

Fund Performance to 27 June 2024

Period	Fund Return*	Benchmark Return**
1 month	-1.60%*	-1.99%**
3 month	1.66%	1.38%
6 month	6.02%	4.34%
1 year	6.99%	5.48%
2 years p.a.	3.15%	1.47%
Since inception p.a.	3.94%	1.82%

Performance is before fees and PIE tax and adjusted for imputation credits. Benchmark performance is gross. * Fund performance shown to 27th June only due to a NZ holiday on final trading day of month. ** full month's benchmark return for June was -2.17%.

Fund regional weightings as at 30 June 2024*



Source: Cohen & Steers, Salt *data to 30 June 2024

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

The fund's top 10 holdings comprise 39.7% of the portfolio.
Source: Cohen & Steers Monthly Investment Report 30 June 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.62	6.42
MSCI ESG score	6.37	6.27

Source: Cohen & Steers Investment Report, 30 June 2024

SALT FUNDS MANAGEMENT
Level 3, The Imperial Buildings, 44 Queen Street | PO Box 106-587, Auckland 1143
P: +64 9 967 7276 | E: info@saltfunds.co.nz | www.saltfunds.co.nz

Market Review

Listed infrastructure posted gains in June quarter, despite negative returns in April and June months. Global stock markets rebounded, with U.S. market indexes again setting record highs in June.

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 are gradually adopting a more dovish tone, 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 June quarter of 2024 proved to be another positive quarter for global equities. The quarter started poorly as overheating concerns from the first quarter weighed on markets, though those fears abated during the quarter as hopes of a soft landing were revived. Developed market equities rose 2.8% (in USD) over the quarter.
- The flipside of resilient economic data has been felt in stubborn services inflation which remains inconsistent with central bank 2% inflation targets. At the end of the quarter, markets continued to price in fewer rate cuts by developed central banks than they did at the start of the year. In this environment the global aggregate bond index returned -1.1% (in USD) over the quarter.
- After the initial strength at the start of the quarter, US economic data softened during May and June. Despite this and reflecting prior upside inflation surprises, the US Federal Reserve delivered a hawkish message in June, reducing the number of expected rate cuts in 2024 from three to one. Given the subsequent softer data, markets were by the end of the quarter expecting two cuts this year.
- The European Central Bank became the first of the major central banks to cut interest rates. This move had been signalled well in advance of the June meeting. But reflecting the uncertainty of the inflation outlook, the ECB was careful not to commit to any particular future path for monetary policy, reinforcing their ongoing data dependence.
- Following the outcome of the European parliamentary election, President Macron of France called a snap election. This election is in two rounds, the first on June 30th and the second on July 7th. Between those two polls, the UK had a general election on July 4th, and markets welcomed the change in government after 14 years with a Labour landslide.
- The weakness in the Yen continues to be a key focus in Japan over the quarter. This has supported Japanese equities.
- Partial inflation data in Australia has been surprising to the upside recently, keeping the RBA's August meeting live for a possible rate hike. At the end of the quarter market pricing was evenly split between a hike and a hold at that meeting.

Portfolio Review June 2024

Listed infrastructure rose modestly in the second quarter but underperformed the broader equity market. Returns remained robust over the six-month, and the one-year periods.

Global equities had a strong quarter, as investors reacted positively to generally better-than-expected corporate earnings reports. The rapidly expanding growth of artificial intelligence (AI) applications and reshoring of manufacturing provided a significant tailwind for select market sectors.

However, investors continued to scrutinize major elections in several countries. As inflation generally remained sticky, interest rates were largely unchanged (after increasing sharply in the first quarter).

Marine ports, midstream energy and gas distribution posted the strongest gains, while railways, toll roads and communications underperformed.

Commercial infrastructure sectors varied widely. Marine ports (10.0% total return) were the top-performing sector in the asset class for the quarter—boosted by stock-specific factors aiding companies in different geographic regions.

Midstream energy (5.0%) posted robust returns, led by gas-focused operators benefiting from investor optimism around the potential increase in gas demand due to rapid data centre growth.

Conversely, railways (–8.9%) posted the weakest returns, as investors assessed how slowing growth might weigh on future earnings.

Regulated utilities outperformed, but communications struggled. Gas distribution companies (4.1%) and electric utilities (3.2%) posted strong returns for the quarter, particularly in May, as a number of these companies are expected to benefit from rising power demand (driven by data centre growth and manufacturing reshoring). Water utilities (1.7%) outperformed, but regulatory issues in the U.K. and U.S. tempered gains.

A slowdown in leasing activity and the persistence of higher interest rates weighed on the communications sector, which declined overall for the quarter.

Passenger transportation–related sectors lagged. Airports (1.1%) underperformed, due primarily to the poor performance of Mexican airport operators. Profit-taking in April weighed on the group, as did concern that the newly elected Morena party administration would enact restrictive business reforms. High interest rates continued to hamper performance in toll roads.

Portfolio performance

Key contributors

• Stock selection in electric utilities (3.2%): An overweight position in a U.S.-based electric utility benefited performance. The company has substantial deregulated nuclear assets, which position it competitively to benefit from the increase in power demand from data centres. An out-of-benchmark position in an India-based electric utility also contributed; its shares climbed materially on expectations for continued strong power demand in India.

• Underweight allocation to toll roads (–4.6%): Toll roads underperformed, and an underweight sector exposure aided relative results. Specifically, the lack of exposure to a Brazilian operator and an Australian operator positively contributed, as macroeconomic concerns in their respective countries pressured shares.

• Out-of-index allocation to transport logistics: An out-of-index position in an Australia-based logistics company was beneficial. Shares rose after the company's successful analyst day in May where it raised its profit outlook above expectations.

Key detractors

• Stock selection in airports (1.1%): An out-of-benchmark position in a Japan-based airport operator detracted; shares declined due to both disappointing inbound international travel volumes and cost pressures. Japanese equities overall struggled due to weakness in the yen in the quarter.

• Stock selection in railways (–8.9%): An overweight in a U.S.-based freight rail company was detrimental. Lower volumes and concern over earnings weighed on shares.

• Stock selection in water utilities (1.7%): An overweight position in a U.K.-based water utility was detrimental. Shares declined after the company provided a disappointing update that included a modest dividend cut related to the assessment of environmental fines.

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.