Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – March 2022

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 March 2022

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$56.87 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 March 2022

Application	1.0912
Redemption	1.0867

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 March 2022

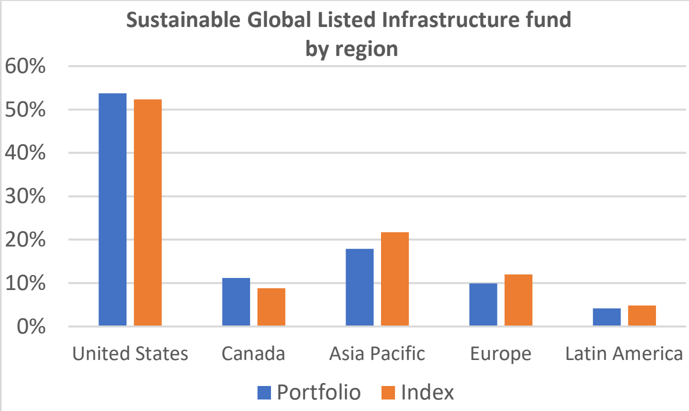
Global equities	96.98%
Cash and FX forwards	3.02%

Fund Performance to 31 March 2022

Period	Fund Return*	Benchmark Return
1 month	6.89%	7.02%
3 month	2.81%	3.33%
6 month	11.09%	11.14%
Since inception	8.89%	7.98%

*Performance is after fees and does not include imputation credits or PIE tax. Benchmark performance is gross. Past performance is not a guarantee of future results. Data as of 31 March 2021.

Fund regional weightings as at 31 March 2022*



Source: Cohen & Steers, Salt *data to 31 March 2022

Top 10 holdings	
NextEra Energy	Transurban
Enbridge	Sempra Energy
Norfolk Southern	Duke Energy
American Tower	American Electric Power
Canadian National Railway	Cheniere Energy

The fund's top 10 holdings comprise 38.5% of the portfolio

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.4	6.4
MSCI ESG score	6.0	6.0

Source: Cohen & Steers Quarterly Investment Report, Q1 2022

Market Review

The first quarter of 2022 was very challenging for markets. Concerns over the need for a faster pace of interest rate hikes to combat higher inflation, along with the economic implications of Russia's invasion of Ukraine, weighed on both equity and bond markets. Russia is a major energy and commodity producer, with the invasion exacerbating the current surge in inflation and already constrained global supply chains, posing risks to global growth. These developments sharply disrupted most asset classes. Energy prices surged, disadvantaging sustainability- and carbon-footprint focussed investment funds in the first quarter.

Central banks became gradually more hawkish as the transitory inflation narrative was overtaken by rising core inflation, higher inflation expectations and stronger wage inflation. Bond yields rose rapidly as the market feared monetary authorities are now seriously behind the curve. Even the European Central Bank was more hawkish than expected and indicated the end of its asset purchase program was likely some time in Q3 2022 and declined to push back on expectations of rate increases before the end of the year. The US Federal Reserve hiked the Fed funds rate for the first time this cycle in March.

The flattening of the US yield curve and, at times, inversion of certain parts of the curve has generated a degree of consternation about the prospect of recession in the US. We don't dismiss the prospect of future US recession but it's important to not get too negative too soon.

Central Bank's shift in tone to a more inflation-adverse stance, combined with the rapidly escalating Ukraine crisis, has challenged investor sentiment throughout the Quarter. It appears unlikely that such factors darkening the global growth outlook for the present will not clear quickly, and we will maintain a preference for Real Assets.

Listed infrastructure generated a positive return for the quarter in what was generally a difficult period for risk assets. The broad equity market experienced periods of elevated volatility driven by uncertainties associated with the war in Ukraine, sharply higher commodity prices and the prospect of decelerating global growth. Interest rates rose amid the highest inflation readings in 40 years, while the US Federal Reserve began to tighten monetary conditions for the first time since 2018. Equity market declines in January and February were somewhat offset by a late-March rally. There was meaningful dispersion in performance among the listed infrastructure subsectors.

Higher energy prices and resilient economic growth supported several economically sensitive sectors. Midstream energy rose materially amid surging energy commodity prices, partially due to supply disruptions in Eastern Europe. Strong fourth-quarter earnings reports also supported the sector. Marine ports outperformed as volumes continued to recover and as investors favoured value stocks. Railways outperformed, as freight operators maintained strong earnings amid a challenging volume environment.

Travel sectors rose as pandemic concerns continued to recede. Airports rallied during the first half of the quarter as travel volumes began to approach pre-pandemic levels. However, gains were tempered after the outbreak of war on Ukraine. Toll road performance was mixed.

Defensive utilities sectors performed well, driven by strong returns in March. Gas distribution outperformed as several utilities posted strong earnings and value stocks were generally in favour. Electric utilities also enjoyed a sizable rally in March given their historically defensive characteristics.

In contrast, high-growth water utilities were among the weakest performers, as the market favoured lower-multiple value stocks. The communications sector was dragged down by weakness from U.S. tower companies. As noted above, higher-growth/higher-multiple stocks (including US cell towers) lagged their more value-oriented counterparts in January and February. This dynamic partially reversed in March, but it was not enough to offset the sector's earlier losses.

Portfolio Review

From its August 19, 2021 inception through March 31, 2022, the portfolio had a positive total return of 8.89% and outperformed its benchmark by 0.91%. For March 2022 (month and quarter) the fund had a positive total return but lagged its gross benchmark slightly on an after-fees basis.

Key contributors

• Security selection and overweight exposure in midstream energy (20.3% total return in the index): Overweight positions in several US-based midstream companies benefited from sharply higher energy prices, positive demand and solid earnings. Adding the most value was an overweight position in a US-based liquefied natural gas exporter, given surging natural gas prices in Europe, further fuelled by the war in Ukraine.

• Security selection in marine ports (6.0%): An overweight in a Brazilian port operator contributed to performance; in addition to an improving trade climate, the company reported solid results and a share buyback. Our investment also benefited from the strengthening Brazilian real.

• Stock selection in gas distribution (3.9%): An overweight in a California-based electric and gas company was the most additive for performance. The company's liquified natural gas infrastructure facilities could benefit from the growing demand in Europe for US.-sourced natural gas.

Key detractors

• Security selection in electric utilities (3.9%): An out-of-index position in a pan-European electric utility company was a headwind for performance; its shares were weak given the potential impact of the war in Ukraine. In addition, a lack of exposure to several slower-growing but defensive U.S.-based electric utilities detracted from relative performance.

• Security selection in railways (5.5%): An overweight in a US freight rail company detracted from performance. Its shares declined as the company pushed out expectations for a rebound in freight volumes to the second half of the year. An underweight to a Brazilian freight railway company was also negative for performance; its shares rallied along with the overall market in Brazil.

• Selection in toll roads (1.2%): Out-of-index positions in two Europe-based toll road operators detracted from performance. Their proximity to the war negatively impacted investor sentiment, despite improving 2022 earnings outlooks.

Portfolio Outlook (Cohen & Steers commentary)

The Ukrainian war could have a knock-on effect on several global infrastructure sectors. From a regional perspective, Europe is most vulnerable to the repercussions of the war. The portfolio has no direct exposure to companies domiciled in either Russia or Ukraine. We are closely monitoring potential political and regulatory risks in Europe. With sharply higher energy costs, the European Union has floated the idea of windfall taxes on utilities to provide some relief for their customers and constituents.

Conversely, in the midstream sector, supply disruptions could lead to increased oil and gas production in the US, resulting in greater pipeline throughput volumes. US LNG exporters could also benefit as low-cost suppliers to help meet European energy needs.

We maintain a largely balanced portfolio. We have marginally increased our defensive exposure, as global growth could be negatively impacted by these geopolitical dynamics—with Europe, in particular, facing clear headwinds. Supply chain constraints and higher inflation also continue to weigh on the global growth outlook. Within the portfolio's more defensive allocations, we remain overweight communications infrastructure, matched with an underweight in utilities.

Listed infrastructure appears attractively priced relative to broader equities. On a cash flow multiple basis, listed infrastructure currently trades roughly in line with global equities—in sharp contrast to the asset class's historical premium valuation. This mispricing occurs at a time, we believe, when infrastructure is well positioned to benefit on a relative basis from overall uncertain economic conditions and strong inflation protection characteristics. Longer term, secular trends such as the digital transformation of economies and the transition to clean energy will potentially be significant drivers of infrastructure returns.

While higher interest rates and inflation may impact certain subsectors in the near term, infrastructure returns have historically shown positive sensitivity to unexpected inflation. As the global economy continues to expand and uncertainties triggered by the war in Ukraine persist, we are keeping a close eye on inflation and interest rates, which are important drivers of asset allocation decisions in 2022.

Performance dispersion among infrastructure subsectors can be significant in dynamic economic periods and amid rising bond yields. However, most infrastructure businesses can generally pass rising costs along to consumers and, as a result, they have tended to perform well during periods of unexpected inflation.

We believe a strong trend of private investor interest in acquiring listed infrastructure assets will continue. Several significant deals were recently announced or are currently pending across various subsectors and geographies. We expect to see this trend continue in 2022, which may lend support to listed infrastructure valuations.

Greg Fleming, MA