Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – September 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 September 2024

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$89.46 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 30 September 2024

Application	1.1072
Redemption	1.1027

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 September 2024

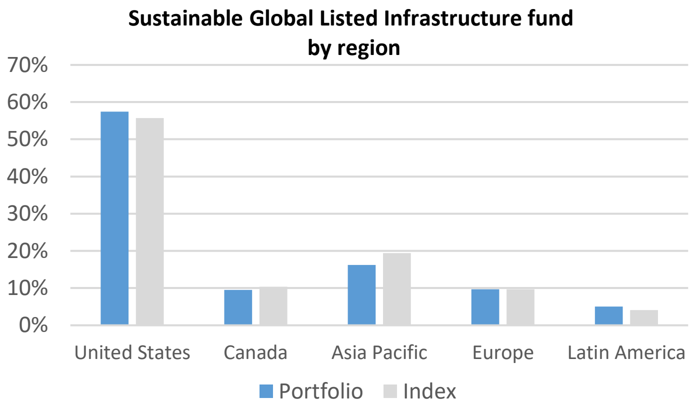
Global equities	97.81%
Cash, Short term, Sundry	2.19%

Fund Performance to 30 September 2024

Period	Fund Return	Benchmark Return
1 month	3.04%	2.19%
3 month	13.23%	12.00%
6 month	15.11%	13.54%
1 year	31.95%	27.06%
2 years p.a.	13.84%	11.70%
3 years p.a.	8.80%	6.67%
Since inception p.a.	7.84%	5.45%

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

Fund regional weightings as at 30 September 2024*



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

Top 10 holdings	sector		sector
Next Era Energy	Electric	NiSource	Gas Dist.
American Tower	Towers	Union Pacific	Freight Rail
TC Energy	Midstream	PG & E	Electric
Duke Energy	Electric	CSX	Freight Rail
Public Service Enterprise Group	Electric	National Grid (UK)	Electric

The fund's top 10 holdings comprise 37.47% of the portfolio.
Source: Cohen & Steers Monthly Investment Report, 30 September 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.73	6.41
MSCI ESG score	6.45	6.28

Source: Cohen & Steers Investment Report, 30 September 2024

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Market Review

Listed infrastructure posted further gains in September 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 delivered a September policy easing, supporting assets. Over the last year, and since inception, the fund has remained comfortably ahead of its benchmark.

- The September quarter was a good one for diversified investors with solid returns across most major asset classes. However, it was not a smooth ride with several bouts of volatility along the way. A weak labour market report out of the US combined with an interest rate hike by the Bank of Japan saw stocks hit hard in August. That was soon followed by the long-awaited start of the US rate cutting cycle, a less hawkish tone from the BoJ and a super-sized stimulus package in China that all helped sentiment and paved the way for a strong rally in stocks by quarter end.
- Developed market equities rose 6.4% over the quarter, while the global aggregate bond index rose 7.0%. Interest rate sensitive asset classes did particularly well with global REITs up 16.2%. All percentages are in USD terms.
- The US Federal Reserve began its easing cycle with a 50bp cut at its September meeting. While a cut had been well-telegraphed, the quantum was a surprise. Various FOMC member comments had increasingly focussed on the softening labour market, though markets weren't of the opinion that the deterioration had been sufficiently significant to warrant a super-size cut. While 25bp cuts appear likely from here, the Fed has demonstrated a willingness to be more aggressive if needed.
- The European Central Bank has been taking a "cut at every other meeting" approach, cutting in June and September while skipping August. Ongoing disinflation and recent weak activity data could see them stepping up to cuts at every meeting from October. The Bank of England has taken a similarly cautious approach by cutting in July but skipping September on the back of persistent strength in wage growth.
- In Japan a rate hike by the BoJ along with hawkish guidance from Governor Ueda led to a sharp appreciation in the Yen and a sudden unwinding of "carry trades" that rely on cheap Japanese borrowing costs. Stocks fell sharply, though pared those losses as Ueda struck a less hawkish tone later in the quarter.
- The Chinese authorities announced a raft of easing measures in September. None of them were significant in themselves, but the fact they were all announced together as a package was welcomed as a sign the authorities were taking China's challenges more seriously.

Portfolio Review September 2024

Listed infrastructure rose sharply in the third quarter and outperformed the broader equity market. Amid a relatively volatile environment, global equities advanced in the third quarter, and several key market indexes posted record highs. Even though a rate cut was widely anticipated, the Federal Reserve's generally larger-than-expected 50-basis-point interest rate cut in September—along with encouraging macroeconomic data and moderating inflation throughout the period—boosted stocks. Largely strong corporate earnings reports were also supportive.

All sectors within listed infrastructure recorded positive returns. Communications and electric utilities posted the strongest gains, while marine ports and railways lagged the broader asset class.

Communications and electric utilities surged, but water utilities and gas distribution lagged somewhat. The long-awaited start to a new rate-cutting cycle supported more interest rate–sensitive stocks in the communications and electric utilities sectors.

Additionally, investors remained optimistic about the potential for increased demand for power as new data centres are built to meet AI workload requirements. Water utilities rose but did not keep pace with the broader asset class amidst lingering regulatory uncertainty. Strength in China, prompted by the news of potential government stimulus measures, helped to lift performance in the gas distribution sector, although U.S. gas utilities lagged electric peers modestly.

Commercial infrastructure sectors varied widely. Amid an environment of geopolitical uncertainty and increased market volatility, midstream energy posted strong gains for the quarter. Investors sought these companies out for their generally solid fundamentals, healthy balance sheets, and prospects of delivering attractive earnings. Conversely, marine ports and railways lagged, as railway earnings updates were mixed, and marine ports saw profit taking.

Passenger transportation–related sectors were some of the weakest performers. Airports underperformed for the period overall, despite posting a strong September. Stock-specific factors, along with concern over passenger traffic for much of the quarter, weighed on sector performance. Even with the tailwind of lower interest rates, toll roads lagged. A weak macro environment hampered toll road operators in China, Brazil and Europe. Additionally, the dominant index constituent—an Australia-based company—was held back by concerns about the potential for increased government oversight of toll road operators.

Portfolio performance

Key contributors

• Stock selection in marine ports: The portfolio had no investments in certain India-based companies that came under pressure in the quarter.

• Stock selection in railways: An underweight position in a Canada-based railway helped relative performance. The shares declined after the firm reported disappointing earnings and lowered its full-year guidance range. A lack of exposure to a Brazil-based railway contributed positively. The company posted a weak earnings update, as investors assessed how slowing growth in Brazil and rising capex requirements might impact future earnings.

• Stock selection in midstream energy: A substantial overweight position in a Canada-based oil and gas pipeline company aided relative performance. Shares rose as the company continued to make progress on its asset sale– driven deleveraging plan. Given its focus on gas infrastructure, the firm is seen as well positioned to benefit from data centre growth and the forecasted increase in gas-fired power generation.

Key detractors

• Out-of-index allocation to environmental services: An out-of-index investment in an Australia-based waste management company detracted. The shares declined after the firm announced an acquisition at the end of June, a transaction that was met with some skepticism from investors.

• Out-of-index allocation to transport logistics: An out-of-index position in an Australia-based company was modestly detrimental. The shares rose for the quarter but did not keep pace with the broader infrastructure asset class.

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.