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

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$88.43 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 October 2024

Application	1.0978
Redemption	1.0933

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 October 2024

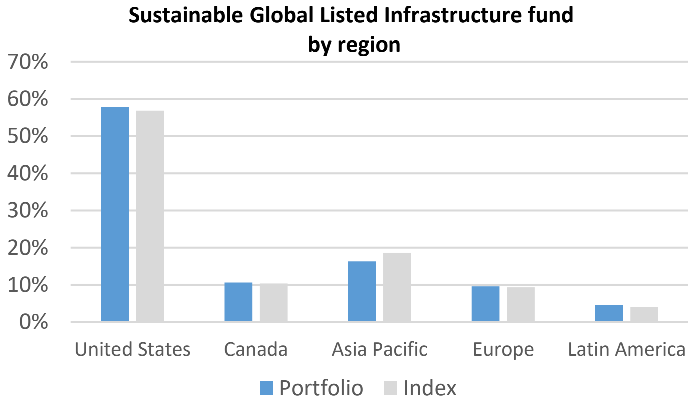
Global equities	96.8%
Cash & short-term	3.2%

Fund Performance to 31 October 2024

Period	Fund Return	Benchmark Return
1 month	-0.72%	-1.26%
3 month	5.63%	3.84%
6 month	15.66%	12.93%
1 year	30.45%	26.92%
2 years p.a.	11.64%	9.31%
3 years p.a.	7.38%	5.14%
Since inception p.a.	7.36%	4.88%

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

Fund regional weightings as at 31 October 2024*



Source: Cohen & Steers, *data to 31 October 2024

Top 10 holdings	sector		sector
TC Energy	Midstream	Public Service Enterprise Group	Electric
NextEra Energy	Electric	Union Pacific	Freight Rail
American Tower	Towers	PG & E	Electric
Duke Energy	Electric	The Williams Companies	Midstream
NiSource	Gas Dist.	CSX	Freight Rail

The fund's top 10 holdings comprise 37.15% of the portfolio.
Source: Cohen & Steers Monthly Investment Report, 31 October 2024

Sustainability metrics

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.69	6.40
MSCI ESG score	6.41	6.28

Source: Cohen & Steers Investment Report, 31 October 2024

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Market Review

The Salt Sustainable Global Infrastructure Fund declined slightly in October as interest-rate sensitive global equities slipped on an upward reversal in global bond yields. After several months of lower yields, concerns about the US deficit's future path returned.

- October was a volatile month for markets. Developed market equities gave back some of their gains of 2024 thus far, falling -2.0% over the month. The global aggregate bond index also posted a negative return for the month, falling -1.5% (NZD-hedged.) This was largely on the back on the recalibration of the likely pace of interest rate cuts by the US Federal Reserve.
- In the US, inflation data for September came in hotter than expected. Headline CPI posted its lowest annual rate in over three years, though core remained sticky at 3.3% y/y. Activity and labour market data also came in stronger than expected. This has seen markets pare back the likely pace of US interest rate cuts. After cutting the Fed Funds rate by 50bp in September, markets now expect the Fed to deliver smaller 25bp moves in November and December.
- US election uncertainty also contributed to higher bond yields. Market focus is on fiscal sustainability and likely bond issuance, as well as the prospect of tariffs after a Trump victory.
- In Europe, annual inflation moved up to 2.0% in October, but this was primarily due to energy base effects. There were signs of weakening economic momentum over the month, particularly in the manufacturing sector. This prompted the European Central Bank to deliver a third 25bp cut in the deposit rate, taking it to 3.25%.
- In the UK, headline inflation fell to 1.7% y/y, though core remained higher at 3.2%. The labour market remains tight with the unemployment rate falling to 4.0%, while the UK Budget announcement put upward pressure on Gilts.
- The Bank of Japan left interest rates unchanged in October, though the tone of the statement was hawkish. Annual Tokyo inflation came in at 1.8% y/y, supporting the case of higher wage increases flowing through into more generalised inflation.
- The Chinese authorities announced further support measures for the ailing property market over the month. Collective stimulus measures to-date should result in improved activity levels, but we still think more is required, particularly more meaningful action to boost consumption.
- The labour market remains tight in Australia. Jobs growth beat expectations for the sixth consecutive month in September. For now, that demand is being met by increased labour supply. The disinflation process is continuing, but the risk for the central bank is that labour supply growth cools before demand does, reigniting wage inflation. No interest rate cuts are expected until next year.

Portfolio Review September 2024

Listed infrastructure declined slightly in October due to interest rate shifts, after several strong months. The fund continues to outperform its benchmark.

Listed infrastructure pulled back in October, reversing a portion of strong year-to-date gains. Uncertainty about a possible Federal Reserve policy mistake and concerns over re-accelerating inflation were evident in the large increase in the 10-year U.S. Treasury yield. Investors also began to weigh the potential implications of the U.S. elections more seriously.

Midstream energy was the top-performing sector, posting strong gains in an environment of heightened geopolitical tension. In addition to continued uncertainty in the Middle East, encouraging earnings and guidance updates, driven by optimism about the potential for increased natural gas demand, buoyed the sector.

Marine ports also posted positive returns, as the two index constituents, Vopak and Hutchinson Port Holdings Trust, both extended their run of solid performance. Conversely, railways were one of the weakest-performing sectors. Railway earnings were mixed, and some companies announced negative revisions to their outlooks.

Higher long-term interest rates dampened performance in the regulated utilities and communications sectors. Gas distribution pulled back overall but held up better than the broader infrastructure asset class due to company-specific factors, particularly earnings updates from Japan-based gas utilities.

Electric utilities lagged modestly, as optimism over data centre–related growth was tempered by higher interest rates. Water utilities, one of the more rate-sensitive sectors, underperformed as the group did not benefit from the support of this data centre optimism.

Communications was the worst-performing sector in the month, hampered primarily by higher interest rates.

Passenger transportation–related sectors were mixed. Airports posted a slight gain in October, driven primarily by strength in airport operators based in Spain and Germany that are experiencing higher levels of passenger traffic. Toll roads underperformed, as higher bond yields weighed on performance. Transurban, the dominant index constituent, declined, as it was negatively affected by both higher rates and lingering uncertainty over the government's rate review.

Portfolio performance

Key contributors

• Stock selection and an overweight allocation in midstream energy: An overweight position in Canada-based natural gas and oil pipeline company TC Energy aided relative performance. Given its focus on gas infrastructure, TC Energy is seen as well positioned to benefit from the forecasted increase in gas-fired power generation to support data centre growth. Our sector overweight also contributed, given that midstream energy substantially outperformed the broader asset class.

• Stock selection in gas distribution: An overweight position in NiSource, a U.S.-based gas utility that outperformed the sector, helped relative performance. NiSource released third-quarter earnings that surpassed expectations and announced an increase in its five-year capital expenditure plan.

• Stock selection in railways: Our lack of exposure to Canada-based CPKC railway contributed to relative performance. The shares declined after CPKC posted a weak earnings update that came in below expectations.

Key detractors

• Stock selection in electric utilities: Lack of exposure to U.S.-based electric utility Entergy hurt relative performance. The company announced a notable hike in its long-term earnings growth rate (supported by an increase in its demand forecast and a new, multi-billion-dollar capital plan investment). Entergy is building new infrastructure to provide power to a large new customer in its Gulf Coast service area.

• Overweight allocation and stock selection in communications: Elevated interest rates negatively affected performance in communications, and a sector overweight was detrimental. Additionally, an overweight position in Crown Castle detracted, as its shares of the large U.S.-based tower company pulled back more than the overall sector. Investors were concerned that Crown Castle may receive a lower-than-expected deal price when it sells its fibre and small cell businesses.

• Out-of-index allocation to environmental services: An out-of-index investment in Australia-based Cleanaway Waste Management detracted; weakness in the Australian market adversely impacted the company's prospects.

Investment Outlook (Cohen & Steers commentary)

We seek to maintain a generally balanced portfolio. We view the current environment of stabilizing growth as supportive, but we are also cognizant of potentially re-accelerating inflation, particularly with a new U.S. administration.

We favour higher-quality businesses that we believe can perform relatively well in an economy emerging from a period of slowing growth.

We also 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.