Salt Sustainable Global Listed Infrastructure Fund Fact Sheet – October 2021

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 2021

Benchmark	FTSE Global Core Infrastructure 50/50 Net Tax Index
Fund Assets	$39.60 million
Inception Date	18 August 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 October 2021

Application	1.0135
Redemption	1.0094

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 2021

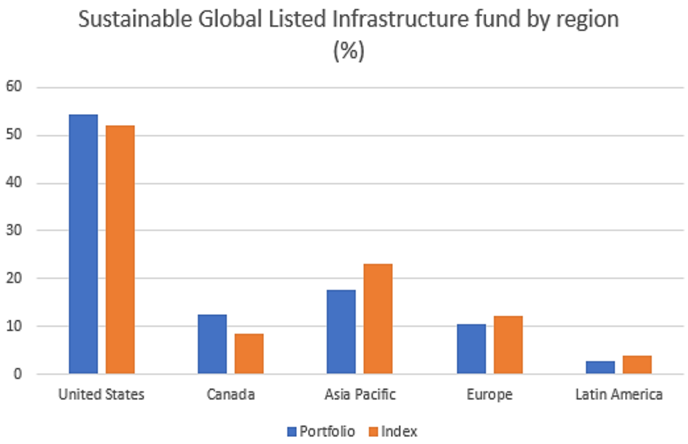
Global equities	99.00%
Cash	1.00%

Fund Performance to 31 October 2021

Period	Fund Return*	Benchmark Return
1 month	3.19%	3.10%
Since inception	1.14%	0.17%

* Performance is net of fees and tax, but not adjusted for imputation credits.

Fund regional weightings as at 31 October 2021*



Source: Cohen & Steers, Salt *data to 31 October 2021

Top 10 holdings	
NextEra Energy	American Tower
Transurban Group	Cheniere Energy
Norfolk Southern	Duke Energy
Enbridge	AENA
Canadian National Railway	American Electric Power Co.

Fund ESG Scores	Portfolio	Index
Cohen & Steers ESG score	6.5	6.3
MSCI ESG score	6.0	5.9

Source: Cohen & Steers Quarterly Investment Report, Q3 2021

Market Review

After a weak September month, global stock markets regained momentum during October with many indices making new highs during the month. The key catalyst was a solid start to the US earning season, while progress on the problems facing the Chinese property market also helped China and global sentiment. More generally, the economic growth story remains solid. High frequency data including flash purchasing manager indices improved in many countries over the month. Progress in vaccination campaigns also suggested reduced risk of a return to widespread economic and social restrictions. China is the main exception as it continues to implement a Covid elimination strategy. The MSCI World index rose 5.7% (in USD terms) over the month, with the US market achieving several successive new highs. In that context or renewed investor enthusiasm for equities, the listed infrastructure market's 3.1% monthly return (hedged to NZD) was robust considering the more defensive sectoral characteristics.

Market Outlook

Portfolio Review (Cohen & Steers commentary)

For October, the fund gained by 3.2%%, which was in line with the gross index return for the period. The fund outperformed its gross benchmark since its inception on 18 August 2021.

Listed infrastructure rallied in October on an improving economic outlook alongside the broad global equity market. Third-quarter corporate earnings that largely exceeded expectations, along with some positive economic data and moderating Delta variant cases, triggered robust investor risk appetite. Most listed infrastructure subsectors generated positive returns during the month.

Railways (13.6%) rose sharply as freight rails reported impressive results. Freight rail earnings results were warmly received, with positive results partially driven by cost-cutting, efficiency gains, and improved pricing, which more than offset moderating volumes.

Midstream energy (5.0%) outperformed on the potential for increasing throughput volumes. Sharply higher energy prices and the prospect of increasing energy demand drove midstream returns. In addition, improving financial profiles have led to higher free cash flows for several companies. In contrast, marine ports (–7.1%) suffered from supply chain constraints and port bottlenecks that have resulted in weaker volumes. In our view, the sector will ultimately benefit from the rebound in global trade activity, and today's headwinds will result in an elongated cycle for these businesses.

Growth-oriented communications companies added to their strong year-to-date gains. Communications (4.1%) saw renewed investor demand after poor returns in September as fundamentals remained strong. We maintain a preference for U.S.-focused tower companies that are best positioned to benefit from network growth capital spending by US wireless companies.

Utilities were mixed, with high natural gas prices particularly weighing on companies in the Asia Pacific region. After declining in the prior month, electric utilities (4.0%) and water companies (2.9%) rebounded in October. In addition to improving prospects for economic growth, the sectors benefited from range-bound interest rates following sharply rising rates the previous two months. In contrast, gas distribution (–0.5%) underperformed. This was mainly due to weak returns from non-U.S. companies, such as those in Japan and China, which lagged in response to higher input costs and lower margins.

Passenger travel sectors underperformed. Weakness in the toll roads sector (–2.9%) was largely due to poor performance in Brazil, as the country continued to face challenging macro conditions. The airport sector (1.6%) was also a laggard in October after outperforming during the previous two months.

Key contributors

• Stock selection in electric utilities (4.0%)

A lack of exposure to a Southern US-based utility was beneficial, and in gas distribution (–0.5%): Not owning shares of several Japanese gas distribution companies contributed to relative performance given their weak returns on concerns about their ability to pass higher gas costs on to customers. Stock selection in China was also rewarded.
• Underweight in toll roads (–2.9%): A lack of exposure to a Brazilian interstate toll road company was positive for performance. Its shares declined along with the overall market in Brazil.

Key detractors

• Stock selection in marine ports (–7.1%): An overweight position in a major Brazilian port operator company detracted from performance. While the company's fundamental outlook did not change, in our view, the stock was dragged down by macro issues in the country.
• Stock selection in railways (13.6%): An out-of-index position in a Japanese passenger railway company detracted from performance; its shares were negatively impacted by falling passenger volumes due to Delta variant-related reopening delays. While stock selection detracted from relative performance, this was largely offset by a beneficial overweight to the sector.
• Security selection in water (1.6%): Overweight positions in certain US and UK water utilities modestly detracted. The stocks underperformed as investors favoured more pro-cyclical shares during the month.

Portfolio Outlook

We maintain a balanced portfolio, with a tilt toward more cyclical companies as the pandemic recovery continues. We anticipate continued above-trend economic activity in the months ahead, which could provide tailwinds for the more cyclical companies. That said, risks remain due to virus cases globally, differing travel restrictions and reopening policies, inflationary pressures and supply chain challenges. Within our more defensive allocations, we remain overweight communications, matched with an underweight in global utilities.

Among transport-related infrastructure, we prefer North American freight railways based on our expectations for improving freight volumes. We remain underweight airports, but we still see some attractive opportunities given the view that vaccine distribution success will drive a sustainable increase in air travel over the next six to twelve months. Listed infrastructure appears attractively priced relative to broader equities. On a cash flow multiple basis, listed infrastructure currently trades 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 strongly positioned to benefit from a vaccine-driven economic recovery

We believe a strong trend of private investor interest in acquiring listed infrastructure assets will continue. A flurry of activity has occurred this year, with a number of significant deals currently pending across various subsectors and geographies. We expect to see this trend continue going forward into 2022.

Greg Fleming, MA