Salt Sustainable Global Listed Property 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 EPRA Nareit Developed Real Estate Index Hedged in NZD on a rolling three-year basis. The Fund targets a portfolio of global listed real estate 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 EPRA Nareit Developed Real Estate Index hedged into NZD
Fund Assets	$28.81 million
Inception Date	16 September 2021
Underlying Manager	Cohen & Steers

Unit Price at 31 October 2021

Application	1.0281
Redemption	1.0239

Investment Guidelines

The guidelines for the Sustainable Global Listed Property Fund are:

Global equities	95% – 100%
Cash	0% – 5%

Target investment Mix

The target investment mix for the Global Sustainable Listed Property Fund is:

Global equities	100%

Fund Allocation at 31 October 2021

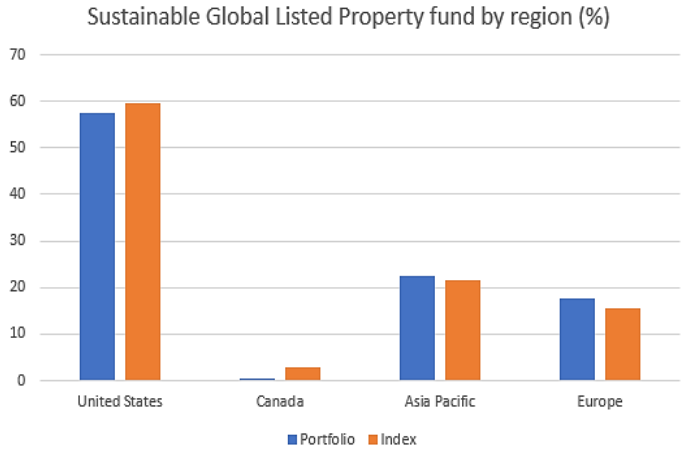
Global equities	99.00%
Cash	1.00%

Fund Performance to 31 October 2021

Period	Fund Return*	Benchmark Return
1 month	4.60%	5.63%
Since inception	2.60%	1.71%

* 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	
Public Storage	Essex Property Trust
Prologis	Digital Realty Trust
Simon Property Group	Vereit
UDR	Vonovia
Healthpeak Properties	Duke Realty Corp.

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. 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 property market's monthly return was robust, considering the interest-rate sensitive characteristics of some traditional sub-sectors.

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 Outlook

Portfolio Review (Cohen & Steers commentary)

For October, the fund gained by 4.6% net, which lagged the gross index return of 5.6% for the period. The fund performed close to its gross benchmark, lagging by -0.1% since its inception on 16 September 2021. Global real estate securities rose in October, outpacing the broader equity market. North America outperformed, while Europe and the Asia-Pacific regions were in positive territory but lagged. The broad-based gains in global real estate securities followed September's macro-driven selloff, as some of investors' most pressing macro-related concerns abated. Underlying sector and company fundamentals remained generally solid, reflected among Q3 21 earnings results.

In the U.S. (7.8% total return), real estate securities rose on resilient fundamentals and demand for the asset class amid general concerns about rising inflation. Industrial REITs outperformed as supply-chain concerns fuelled greater demand from suppliers for warehouse space. Self-storage, which continued to benefit from stalwart fundamentals, posted strong gains following September's underperformance. Regional malls posted double-digit returns in anticipation of a strong consumer fuelling holiday mall traffic. Residential REITs kept pace, with outperformance from apartment REITs, which have benefited from solid leasing acceleration on the coasts, in addition to strength in the Sunbelt.

Secular growth-oriented sectors, such as data centres and infrastructure, modestly lagged the broader U.S. REIT market, as investors favoured the more cyclical sectors. The health care sector, which is less sensitive to economic recovery, posted a positive return but trailed due to concerns about rising labour costs. Hotels, which face continued uncertainty around the pace of the business-travel recovery, had a relatively small gain. Earnings results in this sector have been modestly ahead of expectations, with demand led by resorts, leisure, and lower-chain scale segments.

European real estate performance was strong in most markets following recent weakness. Despite rising energy costs and general inflation, the European Central Bank left its interest rate policy unchanged at its October meeting. Sweden (14.1%) where we anticipate above-average economic growth, outperformed, with gains across sectors. Belgium (8.8%) was lifted by logistics and health care names. The U.K (3.6%) had strong gains among storage and logistics property types. France (3.3%) benefited from encouraging retail results for certain landlords. The Netherlands (-0.3%) trailed on mixed performance among retail-oriented property types, while Germany (-0.3%) trailed amid weakness in residential landlords.

The Asia-Pacific region gained as Evergrande concerns abated. Hong Kong (6.1%) rebounded from September's correction after public statements made by various Chinese government officials emphasized that Evergrande's situation is contained, with limited contagion to the property sector and economy. Singapore (2.9%) gained. Despite some impact from virus-related restrictions, other parts of the economy are healthy, and the central bank raised rates. Hospitality REITs outperformed due to the setup of vaccinated travel lands and rotation

into value, while office stocks gained on positive commentary from management teams. Australia (0.5%) rose modestly, with value outperforming growth amid modestly higher 10-year government bond yields and growing vaccination rates. Japan (-0.3%) pulled back slightly.

Key contributors

• Selection in the U.S. (7.8% total return in the index): Our overweight in industrial REIT Duke Realty, which reported earnings results that beat expectations with increased guidance, contributed. The portfolio's overweight in Public Storage and retailer Simon Property Group also contributed to the portfolio's relative performance.

• Stock selection in the U.K. (3.6%): The portfolio's overweight in Safestore Holdings, which we favour within European self-storage amid accelerating fundamentals, contributed.

Key detractors

• Stock selection in Australia (0.5%): The portfolio's overweight in residential developer Mirvac Group detracted. The underperformance came as newly announced macroprudential measures may weigh on the price and volume outlook for the residential market.

• Overweight in Germany (-0.3%): Our overweight detracted, although this was offset by the positive effect of our stock selection in the country, including our non-investment in residential landlord Deutsche Wohnen, which was weak as Vonovia managed to acquire the shares needed for a takeover (and cannot buy more than the tender).

• Stock selection in Sweden (14.1%): We did not invest in industrial developer Sagax AB, which posted a double-digit gain.

Portfolio Outlook

Global real estate fundamentals continue to improve. Real estate market activity is quite strong, and construction starts in many sectors have been delayed by labour shortages and higher costs for building materials, reducing supply pressures. Long-term cash flow growth is above average, and earnings estimates are rising. While a strengthening economy may lead to greater inflation and, at some point, drive interest rates higher, we do not anticipate an imminent wave of rate increases. Regardless, a strong economic backdrop should lead to higher demand for many real estate property types, allowing landlords to raise rents. Meanwhile, the "new-economy normal" could be creating sector opportunities for the next several years. Additionally, REITs offer attractive levels of income relative to traditional asset classes.

We maintain a positive view on US REITs, with a preference for self-storage and health care companies. Self-storage should enjoy improving demand due to increased economic and relocation activity. China policy moves temper our view of Asia Pacific. We have been trimming our Hong Kong allocation in response to the heightened policy risk in Hong Kong and China. Within Australia, we favour property sectors that are relatively insulated from the encroachment of e-commerce activity.

We believe a strong trend of private investor interest in acquiring listed 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 this trend to continue in 2022.

Greg Fleming, MA