

UBS CBRE Global Infrastructure Securities Fund

July 2023

Fund description

The Fund is an actively managed fund investing in global listed infrastructure securities across a range of geographic regions and infrastructure sectors which may include utilities, transportation, energy infrastructure and communication infrastructure.

Target market

The Target Market Determination (TMD) for the Fund sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. To access to the TMD and other Fund documentation visit our website.

Investment strategy

The Fund will invest in listed infrastructure securities issued by global infrastructure companies, which are entities located throughout the world that derive at least 50% of their revenues or profits from, or devote at least 50% of their assets to, the ownership, management, development, or operation of infrastructure assets.

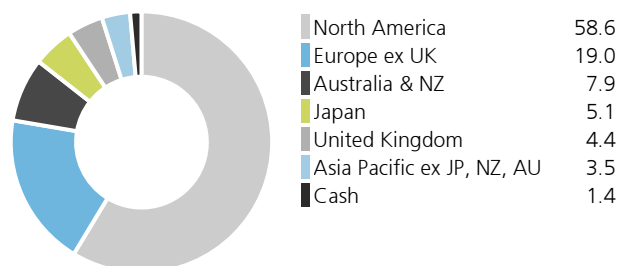
Investment objective

The Fund aims to provide a total return consisting of capital growth and income that outperforms (after management costs) the FTSE Global Core Infrastructure 50/50 Index (Net) AUD Hedged over rolling three-year periods.

Fund information

Inception date	4 August 2016
Fund size	\$ 150.3m
Management fee	1.00% pa
Minimum initial investment	\$ 50,000
Distributions	Quarterly
Buy/sell spread	+/- 0.20%
Currency management	Hedged
APIR code	UBS0064AU

Investment portfolio (%)



Top 10 positions by stock

Name	Country	Portfolio Weight (%)
NextEra Energy, Inc.	United States	4.85
American Tower Corporation	United States	4.81
Cellnex Telecom S.A.	Spain	4.25
VINCI SA	France	3.97
Transurban Group Ltd.	Australia	3.81
WEC Energy Group Inc	United States	3.58
Aena SME SA	Spain	3.29
Enbridge Inc.	Canada	3.28
Central Japan Railway Company	Japan	3.08
Ameren Corporation	United States	3.07
Top 10 Total		37.99

Top 5 overweight by stocks

Name	Country	Active Weight (%)
VINCI SA	France	3.97
Cellnex Telecom S.A.	Spain	3.46
Enel SpA	Italy	2.88
Central Japan Railway Company	Japan	2.71
WEC Energy Group Inc	United States	2.47

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Duke Energy Corporation	United States	(2.82)
Dominion Energy Inc	United States	(1.75)
Exelon Corporation	United States	(1.62)
Airports of Thailand Public Co. Ltd.	Thailand	(1.46)
Williams Companies, Inc.	United States	(1.44)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	0.77	(2.49)	(4.95)	1.68	6.37	6.03	6.72
Benchmark**	1.43	(1.56)	(5.98)	1.03	5.50	4.39	5.37
Added Value	(0.66)	(0.93)	1.03	0.65	0.87	1.64	1.35

* Inception date: 4 August 2016.

** FTSE Global Core Infrastructure 50/50 Index (Net) (AUD Hedged).

Performance figures are net of ongoing fees and expenses. The performance figures quoted are historical, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. Performance can be volatile and future returns can vary from past returns.

Market performance review

Listed infrastructure traded up 1.4% (AUD, hedged) in July.

Listed infrastructure gained 1.5% (Local, net) in July, with mostly positive returns across global regions. Emerging Markets was the best performing region up 2.6%, followed by the Americas. Europe was the biggest laggard and the only region to finish negative. Sectors were mixed globally with no clear winner. Macro headlines continue to drive equities as several central banks globally announced further interest rate increases in July. Crude oil gained momentum higher, crossing \$80/barrel.

The U.K. was led by strong utility returns. European utilities did not keep pace and finished negative in July. Transportation in Continental Europe was also weak due to negative returns for airport stocks. Communications fared better but ultimately underperformed global infrastructure.

Asia Pacific's solid month was due to strength in Japanese utilities. Japanese passenger railroads and toll roads in Australia were positive but trailed the benchmark return.

Americas' transportation and utility sectors outperformed. Freight railroads were positive despite generally weak 2Q earnings. Utilities were mixed but ultimately outperformed global infrastructure. Midstream modestly trailed, and communications stocks were weaker from both towers and satellites.

Portfolio performance

The Fund increased 0.77% for the month, trailing the benchmark.

The Fund's negative relative performance resulted from negative sector allocation despite positive stock selection. Stock picking was positive across most regions and sectors. Sector allocation was more broadly negative across regions and sectors including an underweight exposure to Emerging Markets, which was a drag as the region outperformed.

Communications stock selection was again positive, with U.S. data center operator Equinix the primary driver. Continued fundamental tailwinds from data centers were supportive this month. Towers in Europe modestly detracted this month, coinciding with weakness in Europe generally.

Transportation stocks had mixed results across sub-sectors and regions. Rail had a neutral impact, with contribution from stock selection in Americas rail offset by modest deduction from Japan passenger rails where stock selection and sector allocation detracted. Stock picking in toll roads contributed with strong contributions from out-of-index toll road stocks in Europe, including Vinci and Eiffage, and Australia toll road picks that outperformed airport stocks globally.

Global utility impacts were a modest drag overall, with weak stock selection and sector allocation overall. Europe and the Americas had neutral impacts, with positive stock selection offset by detracting sector allocation in the region. Stock selection impact in the U.K. detracted, driven by underperformance of regulated utility SSE.

Midstream stock selection was a bright spot with contributions from U.S. stock picks like Cheniere Energy and Targa Resources that traded well, but also a contribution from not holding a position in TC Energy, the worst performing midstream stock in July.

Market outlook

The outlook for infrastructure remains positive, especially when considering underperformance compared with broad equities this year. We believe the gap between infrastructure and broad equities has room to close in 2023.

Infrastructure's earnings and outlook remains positive, with secular drivers supporting ongoing infrastructure investment. Access to capital remains unimpeded and infrastructure balance sheets are healthy. Our forecasts have already absorbed the impact of higher rates, while inflation passthrough remains an attractive feature for the asset class, with 90% of infrastructure passing on the costs of inflation to end-users. We see inflation remaining above average in 2023 and beyond, and infrastructure is well-positioned for that scenario. We expect mid to high single-digit dividend growth from listed infrastructure in 2023 and 2024.

The setup seems conducive to infrastructure outperformance. Valuation for infrastructure continues to reflect a historically wide discount relative to global equities as compared to the long-term average multiple. Historically, following similar periods of disconnect, infrastructure has outperformed broad equities by more than ~500bps over the next 18 months.

As we look ahead, when we review its broader leadership, stronger fundamentals, resilient earnings, and compelling valuation, we're optimistic about the potential of the listed infrastructure asset class to outperform, and of the ability of active managers to augment returns for investors.

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