

UBS CBRE Global Infrastructure Securities Fund

August 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.

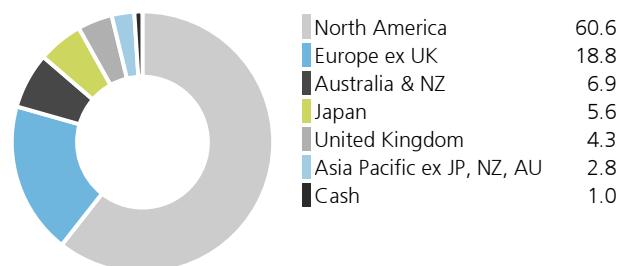
Investment objective

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	\$ 143.4m
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 (%)
American Tower Corporation	United States	4.91
NextEra Energy, Inc.	United States	4.67
Cellnex Telecom S.A.	Spain	4.12
VINCI SA	France	4.07
WEC Energy Group Inc	United States	3.53
Transurban Group Ltd.	Australia	3.42
Aena SME SA	Spain	3.40
Enbridge Inc.	Canada	3.38
Central Japan Railway Company	Japan	3.31
Sempra	United States	3.01
Top 10 Total		37.82

Top 5 overweight by stocks

Name	Country	Active Weight (%)
VINCI SA	France	4.07
Cellnex Telecom S.A.	Spain	3.33
Central Japan Railway Company	Japan	2.91
Enel SpA	Italy	2.90
WEC Energy Group Inc	United States	2.43

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Duke Energy Corporation	United States	(2.83)
Dominion Energy Inc	United States	(1.68)
Exelon Corporation	United States	(1.65)
Airports of Thailand Public Co. Ltd.	Thailand	(1.54)
Williams Companies, Inc.	United States	(1.53)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	(4.51)	(2.40)	(8.00)	(1.96)	4.95	4.97	5.95
Benchmark**	(4.70)	(1.58)	(9.53)	(2.49)	3.91	3.55	4.59
Added Value	0.19	(0.82)	1.53	0.53	1.04	1.42	1.36

* 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 down 4.7% (AUD, hedged) in August.

Listed infrastructure lost 4.5% (local, net) in August as every region ended in negative territory – a reversal from July. The S&P 500 had its first negative month since February, which hurt sentiment. Within infrastructure, Continental Europe was the strongest region trading down 1.5%. Americas performed the worst and was the only region to underperform global infrastructure. Like July, sectors were mixed globally with no clear winning theme. Most 10-year sovereign yields around the globe were up and back down to finish relatively unchanged. Crude oil prices were firm in the mid-\$80s, while natural gas traded higher.

Continental Europe's outperformance was due to transportation stocks and utilities. Airports held up well on positive earnings. Utilities outperformed, while communications had mixed returns. U.K. utilities lagged European peers albeit outperformed global infrastructure.

Americas underperformed due to weakness among utilities and transportation stocks. Utilities remained the out of favor sector within U.S. equity markets. Freight railroads underperformed as freight volumes continue to underperform expectations. Midstream significantly outperformed within the region with several names trading higher on stronger commodity prices. Communications had mixed returns in towers.

Asia Pacific was led by utilities, especially in Japan where several utilities finished positive. Transportation underperformed due to weakness in Australian and New Zealand toll roads and airports. Japan passenger rails, however, outperformed on the back of supportive traffic volumes.

Portfolio performance

The Fund decreased 4.5% for the month, slightly ahead of the benchmark.

The Fund's modest outperformance resulted from the positive impact of sector allocation, partially offset by negative stock selection. Sector allocation impact was most positive in Continental Europe. All other regions produced small positive sector allocation impact, except Emerging Markets, where our underweight positioning to that outperforming region was a drag on performance. Stock selection was negative across all regions except Developed Asia.

Communications stock selection was neutral overall, with strength in data center holdings offset by weakness across most tower stocks. Towers in Europe and the Americas modestly detracted this month.

Transportation stocks had the largest positive impact on relative performance this month, largely driven by sector allocation impacts in Europe and in Asia, where overweight exposure to passenger rail in Japan and to transportation in Europe generally contributed. Rail stock selection in Japan was also a contributor. Stock picking in toll roads in Australia contributed, but weakness among out-of-index toll road stocks in Europe detracted.

Global utility impacts were a modest drag overall, with weak stock selection partially offset by positive sector allocation from generally underweight exposure in the Americas. Stock selection was most negative in Emerging Markets where Chinese gas utilities underperformed by a wide margin.

Midstream stock selection was a bright spot with contributions from U.S. stock picks like Cheniere Energy and Targa Resources that traded well in a positive environment for commodities.

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 remain 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. We see inflation remaining above average in 2023 and beyond, and infrastructure is well-positioned for that scenario, with mid to high single-digit dividend growth expected 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 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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