

# UBS CBRE Global Infrastructure Securities Fund

July 2022

## 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 return 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.

## Top 10 positions by stock

| Name                            | Country       |
|---------------------------------|---------------|
| NextEra Energy                  | United States |
| Transurban Group                | Australia     |
| American Electric Power Company | United States |
| Cheniere Energy                 | United States |
| Cellnex Telecom S.A.            | Spain         |
| Atlas Arteria                   | Australia     |
| WEC Energy Group                | United States |
| Ameren Corporation              | United States |
| AES Corporation                 | United States |
| Crown Castle International      | United States |

## Fund information

|                            |               |
|----------------------------|---------------|
| Inception date             | 4 August 2016 |
| Fund size                  | \$ 157.4 m    |
| Management fee             | 1.00% pa      |
| Minimum initial investment | \$50,000      |
| Distributions              | Quarterly     |
| Buy/sell spread            | +/- 0.20%     |
| Currency management        | Hedged        |
| APIR code                  | UBS0064AU     |
| Inception date             | 4 August 2016 |

## Investment portfolio (%)



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| Fund               | 1 month %   | 3 months %  | 1 year %    | 3 years % pa | 5 years % pa | Since inception* % pa |
|--------------------|-------------|-------------|-------------|--------------|--------------|-----------------------|
| Total return       | 5.74        | 1.55        | 8.77        | 7.41         | 8.41         | 8.80                  |
| Benchmark**        | 4.69        | 1.14        | 8.57        | 5.28         | 6.58         | 7.40                  |
| <b>Added Value</b> | <b>1.05</b> | <b>0.41</b> | <b>0.20</b> | <b>2.13</b>  | <b>1.83</b>  | <b>1.40</b>           |

\*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.

### Portfolio review

The Fund increased 5.74% in July, outperforming the index return.

The Fund's outperformance was due to stock selection and sector allocation. Stock selection was positive across all sectors, led by midstream and communications. Sector allocation was strongest from utilities and communications. Emerging Markets contributed positively during the month as they underperformed and the Fund is underweight.

Communications was the strongest source of relative performance in July, contributing positively to stock picking and sector allocation. This result was due to overweight positioning to towers in Europe and data centers in Asia.

Midstream was a strong source of alpha in July almost entirely due to stock selection. Cheniere Energy was up

12.5% helped by ongoing strength in the LNG market. Targa Resources was up 16.5% as a beneficiary of current market dynamics

Global utilities were additive largely due to an underweight to underperforming Asia-based utilities and positive stock selection in Europe. Constellation Energy, the largest nuclear operator and producer of carbon-free power in the U.S., was also a stand-out contributor and a beneficiary of the proposed Inflation Reduction Act.

Global transports were a drag due to unfavorable sector allocation across regions. Positive stock selection from the group primarily came via European positioning where toll road holdings in out-of-index Vinci and Eiffage was favorable. This was partially offset by a drag in Asia based transports.

### Market review

Listed infrastructure traded up 4.7% (AUD, hedged) in July.

Listed infrastructure, based on the FTSE Global Core Infrastructure 50/50, ended July +4.7% (AUD, hedged) while the fund was +5.9%. July experienced recovery in risk appetite coming off of a markedly negative 2Q with broad markets +8.0% (MSCI World Index, local). Every region was positive with the strongest returns coming from North America and Europe. Sovereign yields continued to decline from mid-June peak. Oil and gas remained volatile as the market digests developments related to the conflict in Europe and global growth concerns.

North America experienced the strongest returns for the month led by midstream and rail, which were underperformers in 2Q. Communications returns were strong led by data center companies that reported positive operating results.

Utilities were a laggard within region but returns remained strong overall, with the best returns generally coming from names with exposure to clean energy.

Europe posted gains on the month led by the U.K. where regulated utilities posted very strong returns. On the Continent returns were led by communications where towers outperformed as perceived risks abated while satellites lagged materially. Continental transports lagged while utilities were the worst performers in the region.

Asia Pacific and Emerging Markets trailed in July. Hong Kong and China markets came under pressure amidst ongoing headlines about COVID-19 cases in the region and mounting concerns related to mortgage lending and the overall health of the credit market in China. Communications stocks in the region were strong. Utilities in Japan lagged while transports across the region posted mixed returns.

### Outlook

We see the ability of infrastructure assets to weather current volatile market conditions as being attractive. Valuations remain attractive on absolute terms and cheap versus private markets. We see ongoing strength in fundamentals and long-term drivers of investment as improving. Signals from second quarter earnings releases to date reaffirm our view in the stability of underlying cash flows amidst macroeconomic uncertainty. These cash flow streams tend to have inflation-protection mechanisms in place and the consistent demand profile benefits the essential assets infrastructure companies own and operate.

We take further comfort in the fact that key long term demand drivers remain in place while valuations still offer upside potential. In the U.S., the proposed Inflation Reduction Act, offering \$369bn to promote "energy security and clean energy" is just another example of how we believe policy globally will evolve over time to support investment into decarbonization and energy security – two themes for which the portfolio is poised to benefit.

The large-scale rollout of 5G networks globally continues to fuel demand for communications infrastructure. While listed valuations in this space have compressed year-to-date, private market activity shows no signs of value deterioration as in July a high-profile P.E. consortium agreed to purchase a portfolio of European towers at 27x EBITDA implying a €17.5bn value. We remain positively positioned to benefit from this valuation upside for the listed companies.

## Client Services

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