UBS Clarion Global Infrastructure Securities Fund

June 2021

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.

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.

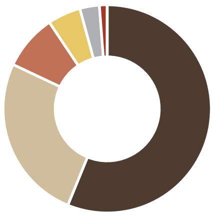
Top 10 positions by stock

Name	Country
American Tower Corporation	United States
Cellnex Telecom S.A.	Spain
Enel SpA	Italy
American Electric Power Company	United States
Crown Castle International	United States
NextEra Energy	United States
VINCI SA	France
Union Pacific Corporation	United States
Transurban Group	Australia
Atlas Arteria	Australia

Fund information

Inception date	4 August 2016
Fund size	$89.2 m
Management fee	1.00% pa
Minimum initial investment	$10,000 (via mFund and online application $5,000)
Distributions	Quarterly
Buy/sell spread	+/- 0.20%
Currency management	Hedged
APIR code	UBS0064AU
mFund code	UAM12

Investment portfolio (%)



North America	56.18
Europe ex UK	25.84
Australia & NZ	8.61
United Kingdom	5.14
Japan	3.04
Cash	1.20

Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	Since inception* % pa
Total return	(0.11)	4.20	16.91	6.17	9.25	8.70
Benchmark**	(0.21)	2.46	14.85	2.87	6.85	6.95
Added Value	**0.10**	**1.74**	**2.06**	**3.30**	**2.40**	**1.75**

*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 rose 4.20% in 2Q21, outperforming the Index return by 174 basis points. Both stock selection and sector allocation contributed to the positive relative performance. Sector allocation was positive across all regions while stock selection was positive in all regions except Continental Europe.

Communications positioning helped both stock selection and sector allocation during the quarter. The companies benefited from underlying strength in fundamentals, strong balance sheets following capital raising activity and a more sedate interest rate environment.

Transportation contributed positively to stock picking across all regions. Most notable contributors were rails in North America, and toll roads and airports in Europe and Asia-Pacific. Midstream also contributed positively to stock selection but was a net detractor as an underweight to the group which experienced continued momentum from Q1 was a drag on relative returns.

Utilities sector allocation was notably positive in the second quarter. A combination of underweight to underperforming utilities in North America and Asia-Pacific, and overweight outperforming UK utilities drove meaningful sector allocation. Stock selection in the group was negative, however, as the drag from underperforming European holdings more than offset positive stock picking elsewhere. The weak returns from the European integrated utilities was partly attributable to concerns on future renewable development returns amidst increasing competition and supply chain risks.

Market review

Listed infrastructure traded up 2.5% (AUD, Hedged) in 2Q21. Europe and North America led returns for the quarter, up 5.1% and 3.0%, respectively, with the U.K. a notable outperformer up nearly 10%. Asia-Pacific trailed predominantly due to poor returns out of Japan, down more than 9%, while Emerging Markets also lagged at +1.5%. Sovereign yields mostly declined gradually in Q2 although remain noticeably higher compared to the start of the year. Crude oil continued its momentum higher along with most commodities as inflation numbers ticked higher and became more of a focal point across the market.

Communication stocks were the biggest contributor to returns and was the best performing sector across developed markets in Q2. Midstream extended its rally from Q1 and was again a noticeable outperformer this quarter. Transportation stocks lagged in every region except Asia-Pacific where toll roads help bolster the group. Utilities were mixed – outperforming in Europe and Emerging Markets and trailing in Asia-Pacific and Americas.

The U.K. was the best performing region due to strong returns from utilities which traded almost 10% higher. Utilities in Continental Europe did not deliver the same level of returns but did outperform global infrastructure, benefiting the region's performance. Asia-Pacific, the sole negative region, suffered from weak returns – specifically Japanese electric and gas utilities that experienced double digit losses.

Outlook

We continue to see value in infrastructure stocks globally, as evidenced by the persistent discount to global equities and to the private market, combined with high visibility for growth driven by secular trends of decarbonization and digital transformation, plus the near-term recovery in economic activity that will benefit transportation infrastructure.

Sentiment towards infrastructure remains positive and interest levels from the private market remains elevated. We continue to note that capital flows in private infrastructure market are likely to have a positive impact on listed valuations.

The reason we draw this conclusion is that large institutional buyers and increasingly scaled private funds seeking core infrastructure across the globe are finding it difficult to deploy capital into high-barrier-to-entry assets which, by their nature, are scarce. This scarcity value combined with elevated demand and still attractively priced capital is supportive of elevated valuations in the private market that only reinforces the 20%+ discount at which the listed infrastructure space is trading versus private asset valuations. This valuation gap becomes most evident when private buyers seek execution against listed assets, and the second quarter has demonstrated more of this activity which we believe is poised to continue.

Understanding the private markets and therefore the valuation impacts of such transaction activity can help us better understand valuations in the listed space and identify mispriced opportunities where we believe there is outsized return potential. Integrating private infrastructure information is core to our process at CBRE Clarion. We believe this provides us with a differentiated approach to investing and supports our ability to consistently add value.

Client Services

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