



UBS Clarion Global Infrastructure Securities Fund

July 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.

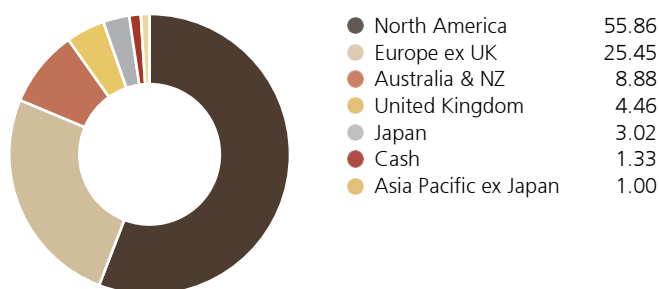
Top 10 positions by stock

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

Fund information

Inception date	4 August 2016
Fund size	\$ 87.1 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 (%)



Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	Since inception* % pa
Total return	1.24	1.85	16.40	6.73	9.03	8.81
Benchmark**	1.59	1.35	15.04	3.67	6.68	7.16
Added Value	(0.35)	0.50	1.36	3.06	2.35	1.65

*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 1.24% in July, underperforming the Index return. Stock selection detracted from relative performance this month, while sector allocation was positive. Stock selection was negative across most regions, and sector allocation was positive in Emerging Markets and in Continental Europe.

Midstream positioning helped stock selection and sector allocation this month. The Fund's underweight benefited performance as the sector was negative for the month. Our core, defensive holdings within that group outperformed, while key holding Pembina Pipeline benefited from termination of a merger announcement that had weighed on the stock.

Transportation contributed positively to stock picking overall. Overweight to Sydney Airport following a takeout bid helped as did an underweight to Transurban. In Europe, out-of-index holdings Vinci and Eiffage outperformed.

Utilities sector allocation was positive while stock selection was negative. Underperformance of European integrated versus regulated peers was the largest driver of negative stock selection. Falling interest rates seemed to favour bond-like regulated utilities in developed markets.

Market review

Listed infrastructure traded up 1.6% (AUD, Hedged) in July. All developed market regions were positive, with strength in Australia and Hong Kong. The U.S. and U.K. also outperformed. Emerging Markets and Japan lagged in the month amid concerns around rising COVID case counts. Global sovereign yields continued their downward trajectories leading to new all-time low real rates. Crude oil and natural gas remained at elevated levels.

During the month regulated utilities and towers fared better than other sectors. The U.K. outperformed due to strong utility returns while utilities in Continental Europe helped bring the region into positive territory. Transportation stocks traded lower on COVID concerns.

Americas' outperformance was driven by utilities and communication sectors. Utilities posted solid earnings in the second half of July backed by healthy demand. Towers continued their recent positive momentum. Rails and midstream finished negative as the broader energy rally and reopening trade faded to start Q3.

Asia Pacific slightly outperformed in part due to Sydney Airport's +30% rally off a privatization bid it received from a private investor consortium. Gas utilities traded well, while Japan electric utilities lost ground. Japan passenger rails also finished negative.

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 the ongoing need to invest in aging infrastructure and the secular trends of decarbonization and digital transformation.

We are seeing increasing evidence that supports our viewpoint that assets in the listed infrastructure market are cheap and that there is a re-rating opportunity ahead. Based on our analysis we believe there is a 25-35% multiple re-rating opportunity that will accrue to listed infrastructure investors over time as listed market multiples begin to reflect asset valuations being paid in the private market. 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. We have suggested this will likely lead to these pools of capital executing against a discounted listed market and last month discussed transactions that highlighted the point.

In July we have seen more of the same, with the most notable transaction being the announced privatization of Sydney Airport at a 42% premium to its prior closing price. The deal is notable not only for its premium, but also its scale, sophisticated buyer pool and asset type (airports amid still volatile COVID headlines). This is yet another data point amid over US\$110bn of public/private deal flow since the start of 2020 and the recent acceleration in activity further bolsters our confidence in the outlook.

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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