

# UBS CBRE Global Infrastructure Securities Fund

December 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.

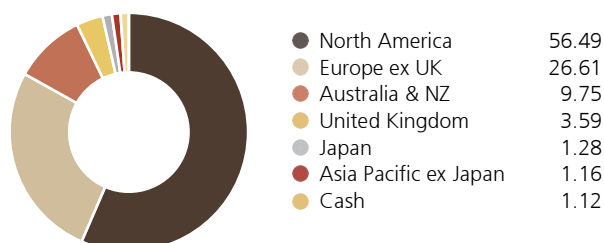
## Top 10 positions by stock

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

## Fund information

Inception date	4 August 2016
Fund size	\$ 138.6 m
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 (%)



## Investment performance

Fund	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	Since inception* % pa
Total return	5.75	7.73	18.06	6.77	13.38	9.34
Benchmark**	6.43	7.26	16.44	4.06	10.16	7.82
<b>Added Value</b>	<b>(0.68)</b>	<b>0.47</b>	<b>1.62</b>	<b>2.71</b>	<b>3.22</b>	<b>1.52</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 5.75% in December, trailing the Index return by -68 bps.

Although absolute returns were quite strong for the month, relative return lagged as the result of sub-par stock selection and sector allocation. Positive relative performance in Asia, the Emerging Markets and the U.K. was more than offset by underperformance within the Americas and Continental Europe. In the Americas, positioning in the Midstream/Pipelines and Utilities sectors was the source of the relative shortfall for the month. In Continental Europe, holdings in the Utilities sector and an overweight to the underperforming Communication sector hurt relative performance. In Asia, stock selection was strong across all sectors while sector allocation was flat. Meanwhile, in the U.K. stock selection and sector allocation added value during the month.

## Market review

Listed infrastructure traded up 6.43% (AUD, hedged) in December.

Listed infrastructure traded higher in December, posting a 6.4% return (AUD, hedged). Returns varied across sectors but were generally positive for the month. In the Americas, Communication and Utilities were the top-performing sectors while the Midstream/Pipelines sector was the only sector to deliver negative performance for the month.

In Europe, the U.K. benefited from solid performance in the Utilities sector and on the Continent, Rails, Transportation and Utilities also traded well. Communication was the worst performing sector in Europe. Asia was up modestly but returns were muted by the underperformance of passenger rail in Japan. Australian and New Zealand transports were relatively flat.

## Outlook

A confluence of forces has the potential to support listed infrastructure in 2022. We believe we have entered a macroeconomic period during which the asset class has historically performed very well – notably those marked by above average inflation and moderating economic growth. We also see the potential to reverse a trend witnessed in 2021 whereby the broad market rewarded high earnings beta. Specifically, we believe the durable earnings growth of listed infrastructure will come back into favour as it surpasses growth of broad equities in an absolute context and as the second derivative of earnings growth slows materially for broad equities. With attractive valuations, accelerating growth, and a conducive macroeconomy, the potential total return proposition of listed infrastructure is especially compelling for 2022.

In 2022, infrastructure earnings (forecasted at +10%) are likely to outpace global earnings (around +7%). Broad equity market earnings are set to decelerate while infrastructure maintains strong growth. Global market earnings revisions are moderating (peaked in Q2 2021) and the pace of broad economic growth is slowing.

Historically, periods of moderating economic growth have been positive for infrastructure. During such periods, infrastructure has delivered an ~18.5% annualized return, outpacing global equities by 5%. Moreover, during periods of above-average inflation, infrastructure has outperformed global equities by a range of 7-9% annually. With these macro factors combined, 2022 is setting up well for the asset class.

On a fundamental basis, infrastructure's inflation-protected cash flows are accelerating because of the essential nature of the underlying assets. Companies within global utilities are investing in new wind and solar power sources at a record pace globally. These installations are essential to providing power independent of volatile (and expensive) fossil fuel commodities. In the communications sector, secular growth in data from cloud proliferation and the still nascent 5G build-out supports the outlook for data centres and cell towers. The midstream sector should benefit from return of global economic activity that supports energy demand and volumes on existing assets, and a focus on returning capital in the absence of large growth investment opportunities. In transports, toll roads, rails, and airport networks should continue to see steady and growing recoveries in traffic post-pandemic. In the coming years, the world will become more immune, and more normalized, to COVID and its variants: as such, global transportation infrastructure is one of the few remaining COVID recovery stories for 2022.

The combination of secular growth and cyclical recoveries is occurring just as the listed infrastructure market is trading at a generational-level discount against global equities. Currently, infrastructure is trading 10% below its long-term relative multiple average; this is similar to 2010, when global economic growth also moderated, and just before a multi-year period during which infrastructure outperformed global markets.

Infrastructure's relative valuation multiple is a coiled spring for the asset class. When coupled with its robust dividend yield, inflation protected earnings growth, and history of outperformance during moderating and inflationary environments—we find today's Listed Infrastructure a compelling prize for investors in 2022 and beyond.

## Client Services

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