UBS CBRE Global Infrastructure Securities Fund

January 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.

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.

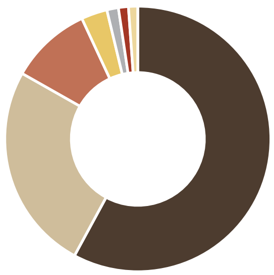
Top 10 positions by stock

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

Fund information

Inception date	4 August 2016
Fund size	$ 138.7 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	(2.70)	0.45	16.15	3.44	9.60	8.65
Benchmark**	(2.74)	1.23	15.10	1.03	6.88	7.16
Added Value	**0.04**	**(0.78)**	**1.05**	**2.41**	**2.72**	**1.49**

*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 decreased 2.7% in January, in-line with the index return.

Relative return was neutral in January, with significant positive stock selection offset by negative sector allocation effect. Stock selection impact was most additive in the utilities and transportation sectors. A drag from sector allocation was primarily driven by an overweight to underperforming European communications stocks and an underweight to emerging markets, which outperformed.

Utilities added to alpha in January entirely the result of superior stock selection, especially in Europe and North America. Key overweight holdings globally that contributed positively include ENGIE (France), American Electric Power (U.S.), Exelon (U.S.), Guangdong Investment (H.K.) and National Grid (U.K.).

In transports, toll road and airport stocks were positive contributors this month. Key holdings with European assets including Vinci, Eiffage, and Fraport, outperformed and contributed to relative performance. Americas rails positive stock selection was offset by sector allocation detraction as the rails got off to a slow start. Passenger rail stocks in Japan owned by the Fund outperformed.

Midstream holdings were positive contributors to both sector exposure and stock selection. Strong performance by natural gas pipeline operator Williams and by natural gas export terminal operator Cheniere Energy drove outperformance.

Communications holdings negatively contributed to relative returns and as noted European exposure was a particular drag. Stock selection and allocation was positive in North America but offset by negative contributions in Europe and Asia-Pacific.

Market review

Listed infrastructure traded down 2.7% (AUD, hedged) in January.

Listed infrastructure traded down 2.7% in January (AUD, hedged), holding up relatively well in a volatile month for equities that saw the MSCI World Index fall 4.9% (local currency return). This level of downside protection is consistent with longer term relative performance of listed infrastructure in down markets.

While global infrastructure was a safer area of the market, broad market themes played out within the space. Rising Treasury yields and more hawkish U.S. Federal Reserve spurred a rotation out of growth stocks and into value names. This and oil price increases helped continue the midstream rally. Midstream was the best performing group, up nearly 10% on average. Communication stocks were negatively impacted by their growth attributes and sold off during the month.

Utilities were mixed across regions, though the growth to value dynamic in the month had a particularly negative impact on some high-multiple names such as American Water and NextEra in the U.S. which experienced double-digit drawdowns. There were bright spots within global transportation, with strength in European and Emerging Markets airports. But toll roads and rails globally underperformed, especially toll roads listed in Australia.

By geography, all regions delivered negative returns though Asia-Pacific performed the worst and emerging markets the best. At the country level, Canada, the U.K. and Japan stood out for being positive while Australia and New Zealand notably lagged.

Outlook

Early returns in 2022 have infrastructure holding up better in the recent broad market selloff, a defensive attribute history suggests will remain in place should downward market pressure remain. Listed infrastructure is an all-weather asset class; the stocks have durable cash flows tied to accelerating secular growth themes. 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 for broad equities.

Additionally, infrastructure has historically outperformed in periods marked by above average inflation and moderating economic growth, like the current environment. Infrastructure companies own assets with high barriers to entry, which provides pricing power while roughly 90% of the investment universe has some ability to naturally passthrough inflation. It is no surprise that historical evidence suggests outperformance of the asset class in the range of 7-8% versus global equities in inflationary environments.

Listed infrastructure stocks are trading at a discount versus global equities not seen since the global financial crisis. 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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