

UBS CBRE Global Infrastructure Securities Fund

May 2024

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.

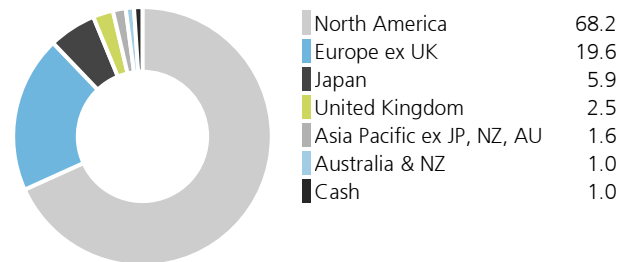
Investment objective

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.

Fund information

Inception date	4 August 2016
Fund size	\$ 146.9m
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 (%)



Top 10 positions by stock

Name	Country	Portfolio Weight (%)
NextEra Energy, Inc.	United States	4.88
American Tower Corporation	United States	4.58
Targa Resources Corp.	United States	4.22
CSX Corporation	United States	3.89
Canadian National Railway Company	Canada	3.87
VINCI SA	France	3.72
Atmos Energy Corporation	United States	3.71
WEC Energy Group Inc	United States	3.69
Sempra	United States	3.37
AES Corporation	United States	3.28
Top 10 Total		39.20

Top 5 overweight by stocks

Name	Country	Active Weight (%)
VINCI SA	France	3.72
Targa Resources Corp.	United States	3.34
AES Corporation	United States	3.28
Enel SpA	Italy	3.16
Atmos Energy Corporation	United States	3.04

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Transurban Group Ltd.	Australia	(3.69)
Southern Company	United States	(2.61)
Enbridge Inc.	Canada	(2.61)
Adani Ports & Special Economic Zone Limited	India	(1.84)
American Electric Power Company	United States	(1.80)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	5.50	6.94	7.17	(0.04)	3.11	4.99	6.63
Benchmark**	4.35	7.01	8.64	(0.84)	2.87	3.55	5.47
Added Value	1.15	(0.07)	(1.47)	0.80	0.24	1.44	1.16

* 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.

Market review

Listed infrastructure gained 4.4% (AUD, hedged) in May. The Americas and Continental Europe led the way with 6%+ (LCL) returns. Asia Pacific and Emerging Markets trailed but finished in positive territory. The U.K. was the sole negative region. Sector returns mostly varied across regions apart from stronger towers in Americas and Europe. Treasury yields were also mixed. The U.S., the U.K., and Canada had yields decline while Japan and Europe experienced rising yields. Crude oil fell for the second consecutive month while natural gas extended its gains from April.

North America

Americas was led by communications and utilities. Towers benefited from lower interest rates.

Utilities had mixed returns but were boosted by power exposed names that have been benefiting from the increasing demand seen from future data centers and industrial customers. Most utilities are expecting sizable load growth levels for the first time in decades.

Midstream marginally underperformed, with oil price headwinds offsetting enthusiasm for long term natural gas demand.

Freight railroads lagged with ongoing negative sentiment tied to weakness in the trucking market pressuring rates.

Asia-Pacific

Asia Pacific trailed due to its underperforming transportation sector. Japanese passenger railroads ended lower and Australian names mostly lagged as well, albeit finished higher.

Utilities outperformed thanks to strong returns from some Japanese electric companies.

Europe

Continental Europe's outperformance was driven by communications and transportation. Towers had a solid May as did several airports which finished with high single to double digit gains.

Utilities finished behind global infrastructure but had most names trade higher for the month. The U.K., on the other hand, lagged due to weaker utility performance with most names trading lower.

Performance review

The Fund's positive relative performance resulted from a mix of strong contributions from stock selection and sector allocation. Stock selection was most positive in North America, but it was also positive in Asia and in Emerging Markets, partially offset by modest stock selection detraction in Continental Europe and the U.K. Sector allocation contributions were largest from an overweight to outperforming Continental Europe and from an underweight to the underperforming Emerging Markets.

Sector detail

Positioning across global utilities contributed the most to relative performance of any sector. Positive stock selection in the Americas, Continental Europe and Emerging Markets was partially offset by detraction in the U.K. Stock selection in the U.S. was driven by large contributions from out-of-index utilities like AES Corp (AES), NextEra Energy Partners (NEP) and Enel in Italy that benefitted from continued positive sentiment related to load growth from data center power demand and renewable energy investment. Sector allocation was relatively flat, an overweight exposure to U.S. utilities modestly contributed. Transportation stocks were also a large contributor this month, driven primarily by sector allocation from overweight Continental Europe and underweight Emerging Markets transportation stocks. Airports and toll roads in Europe outperformed similar stocks in Emerging Markets and in Asia. Stock selection in Europe was a detraction, because of out-of-benchmark toll road stock picks, which were positive but slightly underperformed the group. Rails were a modest drag, due to sector allocation from Japan passenger rail that offset positive impact of stock selection in Americas freight rail stocks. Global communications contributed, mostly due to overweight exposure in the U.S. and in Europe. Stock selection benefited from outperformance of U.S. holdings American Tower (AMT). Stock selection in Europe was neutral, with strong performance in-line with benchmark holdings. Lower interest rates and a supportive data theme were supportive this month. Midstream had a neutral impact, with both sector allocation and stock selection flat for the month.

Market outlook

Infrastructure Outlook is Positive: High Single Digit Earnings Growth, Inflation Protection, and Secular Growth Tailwinds at Discounted Valuations

Well-positioned for emerging pivot -delay scenario

- In this scenario, infrastructure's resilient earnings and attractive valuations should help infrastructure outperform.
- Inflation-protected earnings should offset higher cost of capital, which has historically led to outperformance in periods of slower-than-expected growth and greater-than-expected inflation.

End of tightening cycle historically a positive catalyst

- When the Fed tightening cycle does end, the catalyst is the reversal of market concerns over higher rates and infrastructure as a capital-intensive business.
- Infrastructure is trading at historically attractive valuations relative to equities, which would be the primary driver of outperformance relative to broad equities and bonds.
- Infrastructure has historically been a premium asset class relative to equities.

Exposure to secular growth of generative AI

- Gen AI theme has emerged in the market, and it needs infrastructure.
- Datacenters are the clear beneficiary of a boom in AI as demand trends are accelerating and pricing for existing capacity going much higher.
- Recent CBRE research suggests asking rents have increased +20-54% in key North American markets over the last 8 months alone.
- Utilities are also beneficiaries of Gen AI, given the materially higher power requirements of AI Data Centers. Increased load growth from AI datacenters is supporting utilities cashflow growth and demand for clean energy.

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