



# Portfolio report

UBS CBRE Global Infrastructure Securities Fund  
Global Equity REITs  
Client report from 01.04.2024 to 30.06.2024



## Performance comments

After fees and expenses, the portfolio decreased 0.07% over the quarter and underperformed the benchmark.

| <b>% Return (Net)</b>   | <b>Fund<sup>1</sup></b> | <b>Benchmark*</b> | <b>Difference</b> |
|-------------------------|-------------------------|-------------------|-------------------|
| 3 months                | (0.07)                  | 1.19              | (1.26)            |
| 1 year                  | 2.07                    | 4.32              | (2.25)            |
| 3 years                 | 1.96                    | 2.17              | (0.21)            |
| 5 years                 | 3.63                    | 2.45              | 1.18              |
| Calendar Year to Date   | 1.01                    | 3.76              | (2.75)            |
| Since inception (08/16) | 6.09                    | 5.11              | 0.98              |

<sup>1</sup> Performance figures are net of ongoing fees and expenses.

\* FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index

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.

Source: UBS Asset Management. These figures refer to the past. Past performance is not a reliable indicator of future results.

The Fund's negative relative performance resulted mostly from negative impact of sector allocation while stock selection had a neutral impact for the quarter. Sector allocation impact was negative in all regions, but sector allocation was most negative in the U.S., where rail and communications detracted; as well as in Emerging Markets, where the Fund was underweight. Stock selection was very strong in the U.S. driven by midstream and utilities. Stock selection also contributed in Emerging Markets. Continental Europe and the U.K. saw the biggest negative stock selection impact, offsetting positives in the other regions.

Positioning across global utilities had a modestly positive impact for the quarter. Positive stock selection in the Americas, Continental Europe and Emerging Markets was partially offset by detraction in the U.K. and in Asia.

Stock selection in the U.S. was driven by positioning among integrated utilities like NextEra Energy (NEE) and Sempra (SRE) while avoiding some large names that underperformed. Enel in Italy was the largest contributor in Europe. Utilities benefitted from continued positive sentiment related to load growth from data center power demand and renewable energy investment. Sector allocation was neutral with small positives in developed markets offset by negative impact of underweight exposure to outperforming Emerging Markets.

Transportation stocks detracted significantly from relative performance, driven primarily by stock selection from out-of-index European toll road holdings that underperformed in June on French political news that raised concerns for concessions there. Airports stocks performed well in Europe and helped offset. Rails were a significant drag, overwhelmed by negative sector allocation due to overweight exposure to freight rail in the Americas and Japan passenger rail, both of which underperformed. Global communications detracted, with positive stock selection in the U.S. offset by negative sector allocation.

Stock selection benefitted from outperformance of U.S. holding American Tower (AMT). Interest rate uncertainty continued to pressure communications stocks in the quarter despite a reprieve in May. Midstream had the largest contribution of any sector this quarter, driven by positive impact of stock selection. Strong returns from largest midstream holding Targa Resources (TRGP) along with positive performance by Canadian holding Pembina Pipeline (PPL-CA) were the primary drivers in another strong quarter for the sector on continued improving fundamental performance and positive sentiment related to U.S. natural gas demand.

## Stock Contributors & Detractors (%)

| Company name                       | Return  | Contribution  | Over / underweight |
|------------------------------------|---------|---------------|--------------------|
| Targa Res Corp                     | 13.05   | 0.47          | OW                 |
| Airports Of Thailand Pu            | (14.37) | 0.15          | UW                 |
| Pembina Pipeline Corp              | 4.00    | 0.14          | OW                 |
| Rumo Sa                            | (17.69) | 0.14          | UW                 |
| Canadian Pacific Kansas            | (12.69) | 0.13          | UW                 |
| <b>Total of top 5 Contributors</b> |         | <b>1.03</b>   |                    |
| Eiffage                            | (17.73) | (0.29)        | OW                 |
| East Japan Railway Co              | (16.11) | (0.31)        | OW                 |
| Canadian Natl Ry Co                | (12.01) | (0.33)        | OW                 |
| Csx Corp                           | (11.54) | (0.34)        | OW                 |
| Vinci                              | (17.21) | (0.62)        | OW                 |
| <b>Total of top 5 Detractors</b>   |         | <b>(1.89)</b> |                    |

Note: Position at quarter-end, which may be different to the position during the quarter.

## Portfolio Positioning

### Active Positions by Stock (%)

| Top 5 Overweights    |      | Top 5 Underweights |        |
|----------------------|------|--------------------|--------|
| Targa Res Corp       | 3.68 | Transurban Group   | (3.79) |
| Wec Energy Group Inc | 3.49 | Southern Co        | (3.32) |
| Atmos Energy Corp    | 3.27 | Enbridge Inc       | (2.63) |
| Equinix Inc          | 3.24 | Nextera Energy Inc | (2.06) |
| Csx Corp             | 3.16 | Union Pac Corp     | (1.96) |

Note: Position at quarter-end, which may be different to the position during the quarter.

## Market Review

Listed infrastructure gained 1.2% (AUD, hedged) in the second quarter. Emerging Markets performed best with a 4.2% (LCL) return, and Americas performed second best with a 1.8% (LCL) return. Continental Europe, Asia Pacific, and the U.K. trailed with the U.K. ending as the biggest laggard. Sector returns were mixed globally with strength in midstream and airport stocks, but there was weakness in communications and rails and more mixed returns across regional utilities groups. From a macro view, Canada and the Eurozone were the first major markets to begin rate cuts although this news was somewhat overshadowed in Europe by the surprise announcement that France would hold snap elections in July. 10-year treasury yields continued to rise in most developed markets outside of Canada. Crude oil ended relatively flat although traded in a wider range for the quarter. Natural gas increased in Q2.

Americas outperformed due to midstream and utilities. Midstream continued to benefit from strengthening fundamentals and natural gas demand sentiment. Individual utility returns varied but the group was boosted by large cap names with a positive load growth thematic. Communications were softer with towers facing headwinds from higher rates which weighed early in the quarter. Freight railroads were the largest underperformers in the region bringing down transportation.

Asia Pacific had positive returns from utilities thanks to several Japanese electric utilities posting double digit gains offsetting the weaker constituents in the group. Transportation was negative across countries and subsectors with Japanese passenger railroads as the biggest laggards. Weakness in Australia-listed toll roads was also a drag on the region.

Continental Europe had transportation lead the region. The sector outperformed global infrastructure thanks to airport returns. Utilities trailed as regulated utilities had a weaker Q2. U.K. utilities had negative returns resulting in underperformance for the region. Towers experienced a similar fate as U.S. peers and underperformed.

## Outlook & Strategy

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

Macro outlook is uncertain – stagflationary outcomes should increase market appetite for economically resilient and inflationlinked cash flows. To the contrary, whether due to growing uncertainty or central bank policy, a downward shift in the yield curve would also likely serve as a catalyst for returns. Private and listed allocations to the asset class are growing and the discount is clearly increasing. There has been a pickup in transaction activity especially within renewables continuing to validate demand for scarceassets which reinforce discounted listed valuations.

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.

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 is going much higher. Recent CBRE research suggests asking rents have increased +20-54% in key North American markets over the last 12 monthsalone. 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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