UBS CBRE Global Infrastructure Securities Fund

March 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.

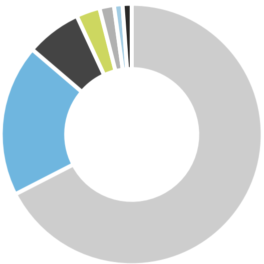
Investment objective

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	$ 144.9m
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	5.54
American Tower Corporation	United States	4.96
CSX Corporation	United States	4.24
Canadian National Railway Comp.	Canada	4.02
Targa Resources Corp.	United States	3.98
VINCI SA	France	3.84
WEC Energy Group Inc	United States	3.65
Aena SME SA	Spain	3.60
Sempra	United States	3.25
Pembina Pipeline Corporation	Canada	2.98
Top 10 Total		**40.06**

Top 5 overweight by stocks

Name	Country	Active Weight (%)
VINCI SA	France	3.84
CSX Corporation	United States	3.20
Targa Resources Corp.	United States	3.11
Enel SpA	Italy	2.95
Canadian National Railway Comp.	Canada	2.95

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Transurban Group Ltd.	Australia	(3.98)
Enbridge Inc.	Canada	(2.67)
Adani Ports & Special Economic Zone Limited	India	(1.78)
American Electric Power Company	United States	(1.78)
Williams Companies, Inc.	United States	(1.66)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	3.38	1.09	1.16	(2.45)	3.40	4.49	6.30
Benchmark**	3.38	2.54	2.12	(2.76)	2.59	2.95	5.12
Added Value	**0.00**	**(1.45)**	**(0.96)**	**0.31**	**0.81**	**1.54**	**1.18**

* 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 traded 2.5% (AUD, hedged) higher in the first quarter to kick off 2024. After a negative January, the group rebounded in February and March in the face of rising rates. Emerging Markets was the best performing region in Q1. Continental Europe was the best performing developed region and the only other region to outperform infrastructure overall. Developed Asia and the Americas underperformed but finished positive. The communications sector was generally weaker globally, driven by towers in Americas and Europe. Utilities and transportation were mixed across regions. Outside of Australia, treasury yields rose in developed markets during the quarter but stayed below 2023 peaks. Crude oil trended higher through most of the quarter reaching the low $80s per barrel. Natural gas had trouble finding a floor and fell each month.

North America

Americas was positive thanks to strong performance of midstream and freight rails.

Midstream benefitted from a supportive demand environment, M&A and positive oil prices.

Freight railroads outperformed global infrastructure on solid 4Q results, improved volumes and optimism for improved margins later in the year.

The utilities sector traded higher but ultimately lagged due to mixed returns within the group.

Communications was weak as towers faced pressure from higher rates.

Asia-Pacific

Asia Pacific lagged due to Australian and New Zealand transportation stocks. Japanese passenger railroads fared better within the sector.

Utilities outperformed as several Japanese names had double digit gains in the quarter amidst the wide range of individual results that also had some negative returns.

Europe

Continental Europe was led by transportation. Several airports outperformed, boosting the sector's returns.

Communications, like in the Americas, ended lower due to towers.

Utilities were weak in Q1 with few names finishing in positive territory. Utilities in the U.K. also trailed the overall Index but outperformed their European peers.

Performance review

The Fund's negative relative performance resulted mostly from negative impact of sector allocation, with stock selection also negative but to a lesser extent. Sector allocation impact was negative in all regions, with the impact most pronounced in Emerging Markets due to underweight exposure to the outperforming region. Stock selection was positive in the U.S. with contributions from communications, utilities and midstream. Stock selection was modestly positive in Asia and negative in Europe and in Emerging Markets.

Sector detail

Positioning across global utilities was a significant headwind in the quarter. Most of the underperformance was driven by selection and overweight exposure to European utilities, which underperformed, and underweight exposure to outperforming Asia utilities. Utility impact was positive in the U.S., where underweight exposure and stock selection positively impacted relative performance. In Europe, the Fund's exposure to Enel and EDP (the best two performers in 4Q2023), integrated utilities outside the benchmark, were headwinds to performance in the quarter. The largest positive contributor was U.S. utility Constellation Energy Corp. (CEG), America's largest clean power provider, rallied more than 50% (local) after the company's strong 4Q earnings call highlighted its attractive nuclear assets backed by favorable load growth dynamics in the U.S. related to generative artificial intelligence. Global communications also detracted for the quarter, despite strong stock selection in the U.S., this was offset by negative impact of sector allocation in U.S. and Europe where overweight exposure detracted. Positive stock selection in the U.S. was driven by strong performance of data center company Equinix, an overweight position benefitting from data growth trends and enthusiasm towards AI. Transportation stocks also detracted this quarter, but within transportation, the impacts of airport and toll road exposure in Europe were positive. Transportation stocks in Europe, including Spanish airport company Aena and toll road owner Eiffage, outperformed. Overweight exposure to that group helped relative performance. However, Emerging Markets transportation outperformed, and the Fund's underweight exposure detracted from relative performance. Midstream contributed for the quarter, primarily due to stock selection as the portfolio exposure matched benchmark exposure. Stock selection benefitted from strong performance by the portfolio's largest holding in midstream, Targa Resources, that traded up nearly 30% (local). In addition, underweight to more interest rate sensitive Canadian pipeline stocks that underperformed contributed to stock selection.

Market outlook

Infrastructure outlook is positive across Fed scenarios, can serve as insurance against surprising near-term outcomes.

Scenario 1: Inflation eases, Fed cuts rates in 2H 2024

- This soft-landing scenario is our base case.
- Under this scenario, 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 equites.

Scenario 2: Inflation persists, raising recession chances

- 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.
- We see solid high single digit earnings growth in both scenarios.

Infrastructure is needed for 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 are 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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