Portfolio report

UBS CBRE Global Infrastructure Securities Fund
Global Equity REITs
Client report from 01.10.2023 to 31.12.2023

Performance comments

After fees and expenses, the portfolio increased 10.19% over the quarter and overperformed the benchmark.

% Return (Net)	Fund[1]	Benchmark*	Difference
3 months	10.19	8.51	1.68
1 year	2.11	(0.76)	2.87
3 years	4.79	3.45	1.34
5 years	7.27	4.92	2.35
Calendar Year to Date	2.11	(0.76)	2.87
Since inception (08/16)	6.37	4.94	1.43

[1] 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 positive relative performance resulted from a mix of contributions from both stock selection and sector allocation for the quarter. Stock selection impact was positive in all regions except Emerging Markets and most positive in Continental Europe. Sector allocation had a large positive impact in the Americas and in Emerging Markets. The only region with negative sector allocation was in Asia where Japan rail underperformed. Emerging Markets underperformed, but the Fund's underweight exposure to that region contributed, which more than offset negative stock selection in that region.

At the sector level, utilities contributed the most to relative performance, followed by communications. Transportation was a modest contributor while midstream was a modest detractor for the quarter.

In utilities, most of the contribution came from stock selection, which was strong in Europe, the U.K. and the Americas. In Europe, the Fund's exposure to Enel and EDP, integrated utilities outside the benchmark, were major contributors as both produced 15%+ (local) returns for the quarter. Other large contributions came from AES Corp in the U.S. and Pennon in the U.K.

The large positive impact of global communications exposure was led by positive sector allocation impact in the U.S. due to an overweight exposure in the best performing sector. Stock selection impact was positive in Continental Europe where core holding Cellnex Telecom outperformed. Lower interest rates provided a tailwind across communications. U.S. towers as a group were up 27% (local) in the quarter.

Transportation stocks had mixed contributions with small contributions from stock selection and sector allocations. Stock selection was positive in freight railroads, but it was negative in Japan passenger rail and in Mexico airports. Positive sector allocation impact from European toll roads and Americas rail was more than offset by lagging returns across Japan passenger rail stocks.

Midstream detracted with negative impact from both stock selection and sector allocation. U.S. midstream with growth orientation underperformed, driving negative stock selection given the Fund's overweight exposure to those names in a quarter driven by interest rate declines that supported stocks with higher leverage and lower growth.

Stock Contributors & Detractors (%)

Company name	Return	Contribution	Over / underweight
American Tower Reit	26.42	0.39	OW
Aes	21.12	0.34	OW
Airports Of Thailand	(13.05)	0.26	UW
Enel Spa	14.12	0.25	OW
Exelon	(9.33)	0.23	UW
Total of top 5 Contributors		**1.47**	
Central Japan Railway	(1.29)	(0.19)	OW
Ameren	(7.82)	(0.20)	UW
Adani Port And Special	17.18	(0.20)	UW
West Japan Railway	(4.80)	(0.23)	OW
Targa Res	(3.57)	(0.24)	OW
Total of top 5 Detractors		**(1.06)**	

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	
Vinci	3.07	American Electric Power	(1.61)
Enel Spa	3.06	Williams	(1.54)
Central Japan Railway C	2.85	Dominion Energy	(1.51)
Cellnex Telecom Sau	2.83	Oneok	(1.48)
Csx Corp	2.53	TC Energy	(1.47)

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

Market Review

Listed infrastructure traded 8.5% (AUD, hedged) higher in the fourth quarter to close out 2023. The strong fourth quarter elevated infrastructure to slight negative territory for the year (-0.8%, AUD, hedged). There was strong breadth in 4Q with every region and sector finishing positive. The Americas led the way with a 10.4% (local) return. The U.K., Emerging Markets and Continental Europe followed behind. Developed Asia was the biggest laggard but still traded up 6.5% (local). Returns across sectors, like regions, were strong with no clear winning or losing theme globally. Falling treasury yields during the quarter provided support for equities. As central banks appear to be nearing a pause in their rate hiking schedule, infrastructure stocks experienced relief after a difficult 3Q. Commodities had an opposite fate with crude oil and natural gas falling.

Americas outperformed, supported by strength in communications and transportation, while midstream and utilities trailed. Towers outperformed due to falling yields. Freight railroads had strong returns within transportation. Midstream fared well in the face of declining commodity prices but ultimately lagged on a relative basis. Most utilities finished positive but could not keep pace with the strong global infrastructure returns in 4Q.

Asia Pacific was led by its transportation sector. Australia and New Zealand stocks carried the performance whereas Japan passenger railroads lagged. Utilities modestly trailed and had mixed stock returns.

The U.K. benefited from strong utility returns which slightly underperformed global infrastructure. Continental Europe was driven by transportation returns thanks to favorable airport gains. Towers were mixed and slightly trailed for the quarter.

Outlook & Strategy

Growth outlook has improved over the course of 2023. CBRE IM expects high single-digit earnings growth in 2023 and 2024, with a double-digit growth in dividends; this is an upgrade to expectations at the end of Q123. Compared to broad equities, we see infrastructure earnings and cash flows as reliable, built on a bedrock of contracted and regulated returns and strengthened by secular investment opportunities.

Infrastructure screens as very inexpensive. Historically a ~10% premium asset class, infrastructure is at a ~10% discount today, over a one standard deviation disconnect. This discount has historically preceded strong performance, with infrastructure delivering double digit returns on average in periods following. Even before considering the prospects for multiple expansion, infrastructure's total return proposition remains sizable; its ~4% dividend yield and 10% income growth is compelling compared to other real assets and to equities more broadly.

Infrastructure experienced a historic level of underperformance relative to broad equities in 2023. The last time listed infrastructure had two consecutive years of negative returns; the sector posted 5 consecutive years of outperformance. The Federal Reserve interest rate pause is a potential catalyst to highlight the attractively-valued combination of resilient dividends and reliable growth.

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