HSBC Asset Management

HSBC Global Infrastructure Equity Fund

Fund report | 31 July 2024

About the Fund

The HSBC Global Infrastructure Equity Fund is an actively managed portfolio of 30-45 global infrastructure stocks that aims to provide long term total return while maintaining a focus on sustainability, environmental, social and governance (ESG) factors. The Fund is managed by a London and Sydney-based investment team that is part of the worldwide HSBC network.

Fund Facts

Fund Manager
HSBC Global Asset Management (UK) Limited.

Responsible Entity/Distributor
Copia Investment Partners

Inception Date (Strategy)
31 January 2024 (31 July 2010)

Objective
To provide long-term capital growth and income, and outperform its benchmark by 2% p.a. (after fees) over 5 years.

Benchmark

Dow Jones Brookfield Global Infrastructure Index (Hedged to AUD)

Currency
AUD Hedged

Investment Time Frame
At least 5 years

Number of Stocks
30-45

Distributions
Quarterly

Minimum Investment Amount
Initial: $20,000
Additional: $5,000

Management Fee
0.90%p.a. of the NAV of the Fund

Performance Fee
Nil

Fund Rating
Zenith Recommended

Performance (%) at month end	1 mth	3 mth	6 mth	1 yr	SI (cum)*
HSBC Global Infrastructure Equity Fund	6.01	8.19	12.19	-	12.19
Dow Jones Brookfield Global Infrastructure Index+	6.74	9.09	9.73	-	9.73
Outperformance	-0.73	-0.89	2.46	-	2.46

Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using end-of month prices and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The indices do not incur these costs.
*Inception of the HSBC Global Infrastructure Equities Fund - Hedged for performance calculation purposes is 31st January 2024.
+ (Hedged to AUD)

Top 10 Holdings	Sector	Absolute (%)	Active (%)
Enbridge Inc	Energy	6.8	0.1
American Tower Corp	Property Trusts	6.5	-0.6
Cheniere Energy Inc	Energy	6.2	3.3
National Grid PLC	Utilities	5.7	0.5
Eversource Energy	Utilities	4.6	3.1
Sempra Energy	Utilities	4.5	1.0
Crown Castle Inc	Property Trusts	4.5	1.2
Edison International	Utilities	4.2	2.1
Cellnex Telecom SA	Communication Services	4.2	2.5
Koninklijke Vopak NV	Energy	3.7	3.5

Top 5 Contributors
Centerpoint Energy Inc
Eversource Energy
Aena SME SA
ONEOK Inc
Edison International

Top 5 Detractors
ENN Energy Holdings Ltd
Gibson Energy Inc
TC Energy Corp
China Resources Gas Group Ltd
China Tower Corp Ltd

Fund Commentary

The positive momentum of 2024 stumbled in July, despite global equities rising +1.8% (in USD), weaker than expected US CPI and US labour market data saw investors question the consensus blue-sky soft-landing narrative. Additionally, the investors started to question if Microsoft, Alphabet, Amazon, and Meta spending $106bn in H1 (50% YoY increase in capex) for AI is justified. The market's risk off sentiment benefitted historically defensive sectors, like Infrastructure which returned 6.7% during the month, as investors looked to crystallise returns and shelter from further market turbulence.

The Fund slightly underperformed the Dow Jones Brookfield Global Infrastructure Index (in USD, gross of fees) during the month. Stock selection within industrial were the predominant positive contributors to performance on a GICS sector basis. This was offset by negative stock selection in the telecommunications and energy during the period. On a regional basis, stock selection within Asia Pacific, particularly Mainland China, was the largest detractor in July.

Commentary continued next page

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Sector Allocation

◆	Utilities	36%
◆	Energy	30%
◆	Industrials	15%
◆	Property Trusts	11%
◆	Communication Services	8%
◆	Cash	<1%

Geographic Allocation

◆	United States	46%
◆	Canada	14%
◆	United Kingdom	8%
◆	France	7%
◆	Mainland China	7%
◆	Italy	4%
◆	Other Locations	14%

Portfolio Strategy and Outlook

Infrastructure is at the beginning of a multi-decade investment cycle, due to secular trends such as energy transition and digitalisation. We believe that the growth of listed infrastructure will continue to be supported by these strong secular tailwinds and its underlying characteristics, such as resilient cash flows generating potentially high distribution levels that are very attractive in this market environment.

The Fund maintained an overweight position to the telecommunications sector. With 5G technology and mid-band spectrum made available to the market, 5G deployment and densification have been the key driver of organic growth in the communication infrastructure space. Although the premium of US towers over EU towers has been reduced, we continue to prefer European (and APAC) assets due to more supportive valuation.

We also have an overweight position to the industrials sector. Our view on the sector remains positive as urbanisation, growth in the global middle class and new modes of transport represents strong long-term tailwinds for the sector. Transportation assets tend to be highly efficient in passing through inflationary pressures and have seen the least impact on fundamental valuations due to higher interest rates.

We have maintained our underweight position to the utilities sector. Whilst macro-economic and commodity prices pressures have come off their peaks in recent years, which has also helped create a more supportive environment for utilities to invest, we are currently underweight the sector due to relative valuations.

Features of global listed infrastructure

Essential assets
Assets that are the backbone of society, providing essential and valuable services for the stability and growth of the economy

Government backing
Infrastructure spending has been heavily featured in recovery programs as governments aim for GDP multiplier effects

Sustainable earnings
Assets that can generate inflation-linked, long-dated and sustainable earnings growth through economic cycles

Long cycle
A multi-decade investment cycle, supported by trends such as urbanisation, energy transition and digitalisation

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