UBS

UBS Asset Management

All data as at 31 January 2021

# UBS Clarion Global Property Securities Fund

January 2021

## Fund description

The Fund is an actively managed fund investing in a portfolio of 60–90 global real estate equity securities across a range of geographic and economic sectors.

## Investment strategy

The Fund uses a multi-step investment process for constructing the Fund's investment portfolio that combines top-down region and sector allocation with bottom-up individual stock selection.

Top-down sector and regional allocation is determined through a systematic evaluation of listed and direct property market trends and conditions. Bottom-up stock selection is driven by proprietary analytical techniques to conduct fundamental company analysis, which provides a framework for security selection through an analysis of individual securities independently and relative to each other.

## Investment return objective

The Fund aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) over rolling three year periods.

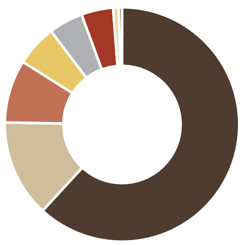
## Top 10 positions by stock

| Name | Country |
|---|---|
| Prologis | United States |
| Simon Property Group | United States |
| Duke Realty Corporation | United States |
| Extra Space Storage | United States |
| CubeSmart | United States |
| VEREIT | United States |
| Ventas, | United States |
| Vonovia SE | Germany |
| American Tower Corporation | United States |
| Camden Property Trust | United States |

## Fund information

| | |
|---|---|
| Inception date | 31 July 2006 |
| Fund size | $349 m |
| Management fee | 0.90% pa |
| Minimum initial investment | $10,000 (via mFund and online application $5,000) |
| Distributions | Semi-annually |
| Typical number of holdings | 60 to 90 |
| Buy/sell spread | +/- 0.25% |
| Currency management | Hedged |
| APIR code | HML0016AU |
| mFund code | UAM10 |

## Investment portfolio (%)



| | |
|---|---|
| North America | 61.85 |
| Europe ex UK | 13.43 |
| Japan | 8.69 |
| Asia Pacific ex Japan | 5.68 |
| United Kingdom | 4.75 |
| Australia & NZ | 4.39 |
| Cash | 0.75 |
| Ireland | 0.46 |

Note: Data is inclusive of pending transactions.

## Investment performance

| Fund | 1 month % | 3 months % | 1 year % | 3 years % pa | 5 years % pa | Since inception* % pa |
|---|---|---|---|---|---|---|
| Total return | (0.90) | 12.81 | (11.03) | 3.66 | 4.36 | 5.06 |
| Benchmark** | (0.58) | 13.80 | (15.30) | 1.14 | 3.28 | 4.57 |
| **Added Value** | **(0.32)** | **(0.99)** | **4.27** | **2.52** | **1.08** | **0.49** |

*Inception date: 31 July 2006. **With effect 1 April 2012, the Responsible Entity changed the benchmark from the UBS Global Real Estate Investors ex Australia Net Total Return Index (AUD Hedged) to UBS Global Real Estate Investors Net Return Index (AUD Hedged). With effect 2 March 2015, the Responsible Entity changed the benchmark to FTSE EPRA/NAREIT Developed Rental Net Return Index (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.

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## Portfolio review

We lagged the benchmark for the month, after strong relative performance in 2020. Stock selection modestly underperformed in all three regions, while sector and geographic allocation was a positive contributor. In the U.S., outperformance from our positioning in the mall, storage, and healthcare sectors was offset by underperformance within the residential, office and data center sectors. In the mall sector, our overweight of Simon Property Group continues to generate outperformance, as the stock was up +9% for the month.

In the Asia-Pacific region, outperformance in Hong Kong was more than offset by underperformance in Japan and Singapore. In Hong Kong, our overweight position in Hong Kong Land added value as the view that office and retail is bottoming in Hong Kong gained momentum. In Japan, our mid-cap office landlord positions and selectively owning industrial J-REITs did not work after solid performance in 2020.

Within Continental Europe, the portfolio is constructed around overweights to residential, industrial, and diversified companies, along with underweights to office and retail companies. This positioning drove good performance in 2020, but modestly underperformed for January.

## Market review

After a strong rally in the fourth quarter of 2020, real estate stocks experienced a quiet month of consolidation in January 2021, falling -0.6%. In January, stock market participants seemed to be focused on the transition to the incoming Biden Administration in the U.S. and the global fight against COVID. Given the powerful rally in real estate stocks over the last three months, we believe it is healthy and positive for the stocks to consolidate as we head into fourth quarter earnings season.

In January, there were several news releases that we believe bode well for the real estate sector in 2021. The first week of 2021 saw Toronto-based Brookfield Asset Management (NYSE: "BAM") announce a proposal to acquire the remaining 40% of Brookfield Property Partners (NASDAQ: "BPY") it does not own. BAM's offer price represents a +16% premium to the prior day stock price yet is still more than a -15% discount to our estimate of Net Asset Value. This transaction displays both the continued institutional demand for high quality real estate as well as the magnitude of how "cheap" real estate in the public markets is compared to the private market.

Second, in the last week of January, fourth quarter earnings season started in the United States, with several companies that we own, Prologis ("PLD") and Duke Realty ("DRE"), reporting strong results for the fourth quarter of 2020 and giving optimistic earnings guidance for 2021.

Outside the U.S., earnings season has yet to begin. In general, many of the operating trends we see with the U.S. companies that have reported, we expect to see from the non-U.S. companies, particularly as it relates to industrial real estate.

## Outlook

Based on our proprietary valuation dashboard, real estate securities valuations continue to be very compelling relative to the private real estate, fixed income, and broader stock markets. At January 31, 2021, real estate stocks are trading at a global average -7% discount to private market real estate value (i.e., NAV), with an implied unleveraged cash flow yield of 5.5%.

In the U.S., we favor towers, gaming, A-quality retail, and storage sectors. Since the beginning of the fourth quarter, we have added to the portfolio "over-sold" stocks that represent "great value" in the net lease, mall, and grocery-anchored shopping center sectors and we have funded these purchases by selling some material outperformers, particularly in the data center sector.

In Japan, we prefer mid-cap office stocks that are providing earnings resiliency at a very attractive relative valuation. In Hong Kong, we are overweight deeply discounted office/retail names. In Australia, we prefer residential and non-discretionary retail.

In the U.K., we favor the storage, industrial, and residential sectors. In Continental Europe, we own the German residential companies, and we continue to prefer property companies in markets with a positive earnings growth profile, which favors mid to small cap stocks in Germany and the Nordics.

**Client Services**

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