



UBS Clarion Global Property Securities Fund

April 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
Extra Space Storage.	United States
CubeSmart	United States
Camden Property Trust	United States
Duke Realty Corporation	United States
American Tower Corporation	United States
Vonovia SE	Germany
Ventas	United States
UDR	United States

Investment performance

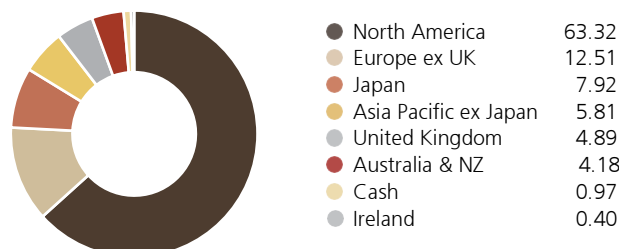
Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	7.18	16.14	34.70	9.59	6.29	6.04
Benchmark**	6.42	14.17	30.10	6.14	4.75	5.43
Added Value	0.76	1.97	4.60	3.45	1.54	0.61

*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.

Fund information

Inception date	31 July 2006
Fund size	\$415.2 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 (%)



Note: Data is inclusive of pending transactions.

Portfolio review

The portfolio outperformed the benchmark for the month. Our positioning in the Americas and Asia Pacific drove positive absolute and relative performance. Our European positions performed well absolutely but were generally in line with the benchmark for the month.

In the U.S., positive performance was driven by positioning in the net lease, residential, and storage sectors. In the net lease sector, we benefitted from our overweight to VEREIT which announced in late April that it was being acquired by the largest net lease REIT Realty Income in a stock-for-stock merger at a +17% premium to VEREIT's prior day closing stock price. In the residential sector, our overweight to Camden Property Trust (+9%) aided performance given the better apartment fundamentals in their "sunbelt" markets.

In the Asia-Pacific region, positive relative performance was largely driven by our stock selection in Australia with exposure to outperforming Home Consortium (+14%), while avoiding discretionary retail landlord Scentre Group (-3%).

In Europe, our strongest contributor for the month was our overweight to outperforming Mercialis (+16%) which continued to benefit after announcing earnings results that significantly beat consensus expectations for NAV per share as the company's neighborhood-focused shopping centers, where customers purchase essential products like food and medication, continues to be quite resilient.

Market review

After a positive first quarter 2021, real estate stocks were up +6.5% for April, outpacing the MSCI World Equity Index which rose +4.0%. With the COVID vaccine distribution accelerating in most parts of the developed world, combined with government stimulus and central bank backstops for capital funding markets, investors appear to be pricing in a strong economic growth in 2021 and a durable economic recovery beginning in 2022.

First quarter earnings season has begun in the U.S., and thus far the results are positive, which bodes well for both 2021 and 2022 earnings growth expectations. Based on our internal data, we are halfway through first quarter earnings season with ~70% of U.S. companies beating analyst estimates. Fundamentals are generally improving across all sectors and management teams are more upbeat about deploying capital given the improving macro-economic environment. Nearly two-thirds of REITs that provide full year earnings guidance increased their guidance and the remaining third maintained their annual guidance; no companies reduced their earnings guidance. Simply stated, earnings season is off to a very good start!

Outlook

It is unusual for real estate securities to be "cheap" relative to all three of the broader asset classes at the same time. At April 30, 2021, real estate stocks are trading at a global average 3% discount to private market real estate value (i.e., NAV), with an implied unleveraged cash flow yield of 5.6%.

As we work through 2021, it is possible that one potential risk for the markets is the direction of the corporate tax rate in the U.S. With U.S. spending programs being passed and budget deficits soaring, the Biden Administration has proposed a plan to increase corporate tax rates in the U.S. The proposed plan will eliminate the corporate tax rate cuts put in place by the Trump Administration back in 2017. It is interesting to note in 2017, real estate stocks materially underperformed the broader stock market as the Trump corporate tax rate cut was being introduced and then passed. Because REITs do not pay taxes at the corporate level, they received no benefit from the Trump corporate tax rate cut, which is presumably why REITs underperformed both the broader market and most sectors which did receive tax rate cut benefits. This could benefit REITs if it were to be reversed.

We remain bullish on the opportunities within listed real estate. In the U.S., we favor towers, industrial, retail and storage. In Japan, we prefer industrial and mid-cap office stocks. In Hong Kong, we are overweight diversified companies with a residential bias, non-discretionary retail, and decentralized office. In Australia, we prefer residential, industrial, and select diversified companies. In the U.K., we favor the storage and industrial sectors. Finally, within Continental Europe we prefer the German residential companies, and several mid-cap office and industrial stocks in Germany and the Nordics with attractive growth profiles and valuations.

Client Services

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