UBS

UBS Asset Management
All data as at 30 June 2021

UBS Clarion Global Property Securities Fund

June 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.

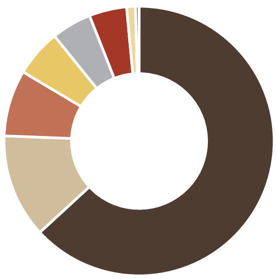
Top 10 positions by stock

Name	Country
Prologis	United States
Simon Property Group	United States
Extra Space Storage	United States
CubeSmart	United States
Camden Property Trust	United States
Ventas	United States
Duke Realty Corporation	United States
Vonovia SE	Germany
American Tower Corporation	United States
Regency Centers Corporation	United States

Fund information

Inception date	31 July 2006
Fund size	$425.2 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 (%)



North America	63.97
Europe ex UK	12.43
Japan	7.70
Asia Pacific ex Japan	5.65
Australia & NZ	4.37
United Kingdom	4.36
Cash	1.09
Ireland	0.42

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.50	11.35	33.99	9.37	6.14	6.24
Benchmark**	1.88	9.78	30.76	5.32	4.17	5.59
Added Value	**0.62**	**1.57**	**3.23**	**4.05**	**1.97**	**0.65**

*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.

Portfolio review

The portfolio outperformed the benchmark for the 2Q 2021, building on the positive relative performance delivered in 1Q 2021. North America continues to be the strongest performing region year-to-date. From an attribution perspective, the portfolio outperformed the benchmark as the result of positive stock selection and sector allocation decisions.

In the U.S., outperformance was driven by positioning in the storage and net lease sectors. In the storage sector, the portfolio benefited from being overweight this best performing property sector in the 2Q as well as from positive stock selection. In the net lease sector, the portfolio benefited from an overweight to VEREIT, which announced in late April that it was being acquired by best-in-class net lease company Realty Income in a stock-for-stock merger at a +17% premium to VEREIT's prior day closing stock price. In the Asia-Pacific region, positive relative performance was driven by stock selection in Australia and Japan. Within Europe, positive relative performance was driven by stock selection within the UK, in particular via overweight positions in the storage and industrial sectors.

Market review

Real estate stocks were up +9.8% for the second quarter of 2021. On a year-to-date basis, real estate stocks are up +17.1%, outpacing the MSCI World Equity Index (+13.3%) and the Barclays Global Bond Index (-3.2%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021.

The economic recovery is accelerating, driven by the rapid distribution of COVID vaccines, consumers with substantial savings and a desire to spend, businesses eager to hire, and there remains material policy support from governments and central banks. These factors all are very good news for the economic outlook and real estate landlords, and we believe real estate stocks will be beneficiaries of these trends.

Outlook

We believe that real estate securities are attractively priced relative to the private real estate market, the fixed income market, and the broader stock market and that investors committing capital to listed real estate at this time have the potential to earn attractive absolute and relative long-term total returns.

Well-respected real estate research firm Green Street Advisors agrees with our assessment of the total return outlook for real estate stocks. In Green Street's July 1, 2021 Real Estate Securities Monthly, the firm's proprietary valuation methodology rates real estate securities as "Inexpensive" with a "Fair Valuation" of approximately +12% above current levels. We agree with Green Street that an allocation to real estate securities offers a double-digit total return outlook at current levels.

In addition to attractive valuation metrics, there are additional thematic reasons to be positive about real estate stocks at mid-year 2021, including the following market observations: 1) real estate stocks are outperforming broader stock market indices for the first time in the last five years, which suggests a change in stock market leadership; 2) real estate clearly benefits from a re-opening economy; 3) short lease duration sectors can quickly re-price rental rates in an inflationary environment, thus offering an inflation hedge; and 4) funds flows to real estate dedicated active and passive funds are positive in 2021 after several years of anemic funds flows.

In the U.S., we are overweight towers, industrial, retail, hotels, and storage. In Japan, we prefer industrial, residential, and mid-cap office J-REITs that are providing earnings resiliency at a very attractive relative valuation, and we continue to own select Japanese REOCs that have exposure to office, retail, and residential and have committed to improving their corporate governance. 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 a few select diversified companies.

In the U.K., we favor the storage and industrial sectors, and select larger cap diversified companies that trade at material discounts and may see earnings acceleration as the U.K. economy re-opens. 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.

We believe active management has the ability to offer significant relative return potential at this time when investors have a unique opportunity to invest in listed real estate assets at attractive valuations. Based on our "information advantage" and the disciplined use of our proprietary analytical tools, we have been able to outperform a passive investment strategy and believe the portfolio is well-positioned to deliver continued relative outperformance.

Client Services

Telephone: (03) 9046 4041 Freecall: 1800 572 018 Email: ubs@unitregistry.com.au www.ubs.com/am-australia

Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer of the Fund. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund are contained in the Product Disclosure Statement dated 30 November 2020. The PDS is available from our www.ubs.com/am-am-pds or by calling (03) 9046 4041.

The PDS for this fund is only available to persons receiving the PDS (electronically or otherwise) while physically in Australia, unless expressly authorised by us in writing. The offer does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This Fund (or the PDS) has not been registered under the laws of any jurisdiction outside Australia. The Fund may not be offered or sold in the United States of America or to 'U.S. Persons' (as defined in 'Regulation S' of the Securities Act of 1933, as amended).

UBS

CBRE CLARION SECURITIES