



UBS Clarion Global Property Securities Fund

July 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.

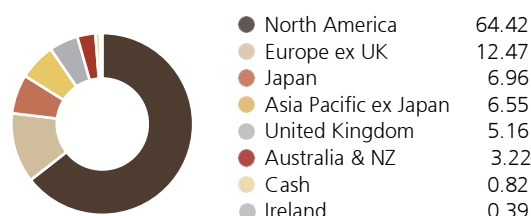
Top 10 positions by stock

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

Fund information

Inception date	31 July 2006
Fund size	\$ 429.2 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 (%)



Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	4.94	9.02	37.08	10.90	6.25	6.55
Benchmark**	4.55	7.85	34.15	6.55	4.15	5.87
Added Value	0.39	1.17	2.93	4.35	2.10	0.68

*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 July, building on the positive relative performance delivered in both the first and second quarters of 2021.

In the U.S., outperformance was driven by positioning in the storage, residential, data centers and industrial sectors. In the storage sector, the portfolio benefited from being overweight outperforming Extra Space Storage (+8.5%) and CubeSmart (+9.4%). The overweight has served us well in 2021, as the companies raised 2021 earnings guidance for a third time in 2021 on their conference calls in late July, propelling the sector to outperform for the month.

In the Asia-Pacific region, positive relative performance was driven by stock selection in Japan and Australia. In Japan, an overweight to outperforming industrial REITs SOSiLA Logistics REIT (+12.7%) and LaSalle Logiport (+10.7%) helped performance. In the case of LaSalle, the company benefits from both industrial cap rates compressing in Japan combined with its unique external growth pipeline that includes not only sponsor-developed assets, but also "value-add" properties sourced by the REIT, which can be acquired at a discount to market value.

Both Continental Europe and the U.K. were contributors to overall outperformance for the month. In the U.K., positive stock selection was driven by our overweight of the two storage companies in the country, Safestore Holdings (+15.3%) and Big Yellow (+15.4%). As observed in the U.S., storage fundamentals in the U.K. are also quite strong – maintaining high occupancy throughout the pandemic, and now as the economy is improving, landlords have pricing power, and these conditions positively move earnings and stock prices higher.

Market review

Real estate stocks were up +4.5% for the month of July, outperforming the MSCI World Index (+1.4%) and the Barclays Global Bond Index (+1.3%). On a year-to-date basis, real estate stocks are up +22.4%, outpacing the MSCI World Equity Index (+16.5%) and the Barclays Global Bond Index (-1.9%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021.

Second quarter earnings season began in mid-July, and thus far the results are quite encouraging for the remainder of this year and the outlook for 2022. Per Citigroup's Real Estate Research Group, of the 56 U.S. real estate companies that have reported through the end of July, more than 80% beat second quarter consensus earnings estimates, which compares to a 15-year average of approximately 52% of companies beating quarterly consensus earnings estimates.

Outlook

Based on our proprietary valuation dashboard, real estate securities valuations are attractive relative to the private real estate, fixed income, and broader stock markets. At July 31, 2021, real estate stocks are trading at a global average discount to private market real estate value (i.e., NAV), with an implied unleveraged cash flow yield of 5.4%.

Key thematic reasons to be positive about real estate stocks, include: 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 dedicated real estate mutual funds and ETFs have turned positive in 2021 after several years of anemic funds flows signaling improving investor interest in the sector.

In the U.S., we are overweight storage, towers, industrial, and retail. In Japan, we prefer industrial, and mid-cap office J-REITs that are providing earnings resiliency at a very attractive relative valuation. In Hong Kong, we are overweight diversified companies with a residential bias, non-discretionary retail, and decentralized office. In Australia, we prefer fund managers, 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.

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).

This document may not be reproduced or copies circulated without prior authority from UBS Asset Management (Australia) Ltd.

