

UBS CBRE Global Property Securities Fund

August 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
Extra Space Storage	United States
CubeSmart	United States
Simon Property Group	United States
Camden Property Trust	United States
Sun Communities	United States
Ventas	United States
Duke Realty Corporation	United States
American Tower Corporation	United States
VEREIT	United States

Investment performance

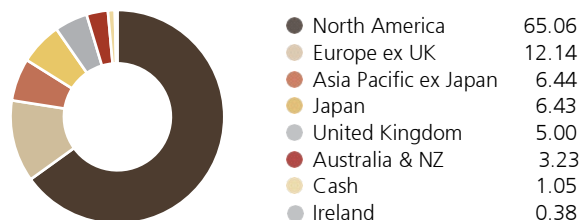
Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.59	10.35	38.57	11.21	7.40	6.69
Benchmark**	1.64	8.26	34.27	6.50	5.03	5.95
Added Value	0.95	2.09	4.30	4.71	2.37	0.74

*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	\$ 446.9m
Management fee	0.90% pa
Minimum initial investment	\$50,000
Distributions	Semi-annually
Typical number of holdings	60 to 90
Buy/sell spread	+/- 0.25%
Currency management	Hedged
APIR code	HML0016AU

Investment portfolio (%)



Portfolio review

The portfolio outperformed the benchmark for August, building on the positive relative performance delivered year-to-date.

In the U.S., outperformance was broad-based with the largest drivers being the storage, net lease and industrial sectors. In the storage sector, the portfolio benefited from being overweight outperforming Extra Space Storage (+7.3%) and CubeSmart (+7.7%). 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 Europe, in both the U.K. and on the Continent, positive stock selection was driven by overweights to outperforming industrial and storage stocks. In the case of storage, an overweight to outperforming Shurgard (+12.2%) and SafeStore (+9.3%) positively contributed to performance. Our overweight of industrial stocks that drove positive relative performance included: Montea (+11.2%), Catena (+7.9%), and SEGRO (+6.1%).

In the Asia-Pacific region, outperformance was driven by overweight positioning in Home Consortium which reported strong FY21 results beating consensus expectations. In Japan, an overweight to outperforming small cap industrial company SOSiLA (+8.7%) added value. In Hong Kong an overweight to outperforming Kerry (+15.7%) for the month on the positive special dividend news.

Market review

Real estate stocks were up +1.6% for the month of August, modestly underperforming the MSCI World Index (+2.7%) and outperforming the Barclays Global Bond Index (-0.4%). On a year-to-date basis, real estate stocks are up +24.4%, outpacing the MSCI World Equity Index (+19.6%) and the Barclays Global Bond Index (-2.3%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021. Rising from the depths of the "pandemic recession" in 2020, improving employment, pent-up consumer demand, and supportive government and central bank policies are very good news for the economic outlook and real estate landlords, and we believe real estate stocks will continue to be beneficiaries of these trends.

What we learned from second quarter earnings season is that real estate fundamentals, in most parts of the world and for most property sectors, are both healthy and improving. Globally, our analysts cover close to 500 real estate stocks, and they are almost finished updating all their earnings models based on the results and outlook delivered during the second quarter. While not yet complete, preliminarily we project that our estimates for earnings growth are moving higher by close to +8% for both 2021 and 2022. In addition, on average, NAVs are moving up approximately 5%.

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 August 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%. In the U.S., the spread between implied cap rates and Baa corporate bonds is +174 basis points versus a long-term average of +99 basis points. Outside the U.S., these spreads are wide as well.

In the U.S., we are overweight towers, industrial, retail, hotels and storage. 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 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 prefer German residential and we continue to favor 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 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).

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

