

UBS CBRE Global Property Securities Fund

September 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.

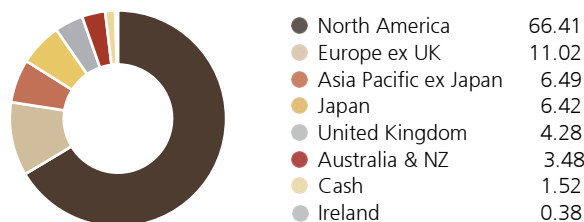
Top 10 positions by stock

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

Fund information

Inception date	31 July 2006
Fund size	\$ 407.2 m
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 (%)



Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(5.49)	1.74	33.93	9.91	6.52	6.26
Benchmark**	(5.74)	0.17	29.70	5.20	4.14	5.50
Added Value	0.25	1.57	4.23	4.71	2.38	0.76

*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 third quarter, building on the positive relative performance delivered year-to-date with all three regions delivering positive relative performance.

For the third quarter, North America was the best performing region, followed by the European region and the Asia-Pacific region. In the U.S., outperformance was driven by positioning in the data center, storage, and industrial sectors. Positive stock selection in the U.K., driven by overweights to outperforming industrial and storage stocks, drove outperformance in Europe for the quarter. In the Asia-Pacific region, positive performance was driven by contributions in Australia and Japan.

Market review

Real estate stocks were up +0.1% for the third quarter, underperforming with the MSCI World Index (+0.7%) and outperforming the Barclays Global Bond Index (-0.9%).

On a year-to-date basis, real estate stocks are up +17.3%, outpacing the MSCI World Equity Index (+15.3%) and the Barclays Global Bond Index (-4.1%). 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.

After strong year-to-date performance through August, global real estate stocks consolidated approximately -6% during September. Overall, "headline news" turned negative during September, creating volatility throughout the capital markets, and real estate stocks were not immune from this volatility.

While "headline news" appeared to be all dark clouds in September, "real estate owner/operator news" for the third quarter can be described as quite constructive. 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 after updating our earnings models based on the results and outlook delivered during the third quarter, we estimate 2022 earnings growth should be close to 8%. In addition, NAVs are moving up approximately 5% on average. Overall, we believe any pull back in publicly traded real estate stocks represents a buying opportunity.

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.

In addition to attractive valuation metrics, there are additional thematic reasons to be positive about real estate stocks, including: 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, retail, and hotels. In Japan, we prefer industrial, and mid-cap diversified and office J-REITs that are providing earnings resiliency at a very attractive relative valuation. In Hong Kong, we are overweight diversified companies with a commercial/retail bias, and non-discretionary retail. In Australia, we prefer non-discretionary retail, residential, and a few select diversified companies.

In the U.K., we favor the storage and industrial sectors. In Continental Europe, we prefer the German residential companies and 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

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