

UBS CBRE Global Property Securities Fund

October 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.

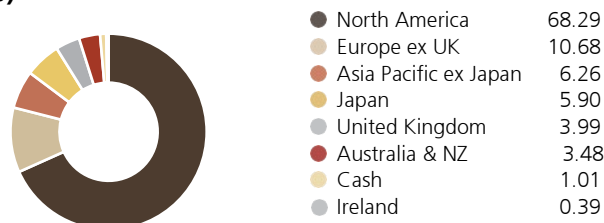
Top 10 positions by stock

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

Fund information

Inception date	31 July 2006
Fund size	\$ 424.6 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	7.70	4.42	49.15	13.94	9.45	6.74
Benchmark**	6.01	1.57	42.32	8.20	6.54	5.88
Added Value	1.69	2.85	6.83	5.74	2.91	0.86

*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 October, building on the positive relative performance delivered year-to-date.

For October, North America was the best performing region, followed by the European region and then the Asia-Pacific region. The portfolio outperformed the benchmark as the result of positive stock selection and sector allocation.

In the U.S., outperformance was driven by positioning in the storage, industrial, and net lease sectors. In the storage sector, the portfolio benefited from being overweight outperforming Extra Space Storage (+13%) and CubeSmart (+9.2%). Both companies raised 2021 earnings guidance for the fourth time in 2021 on their conference calls in October, which propelled the sector to outperform for the month.

Positive stock selection in the Europe, led by overweights to outperforming industrial and storage stocks, drove outperformance for the month. In the case of storage, being overweight outperforming Shurgard (+7.5%), SafeStore (+12%), and Big Yellow (+3.7%) positively contributed to performance.

In the Asia-Pacific region, relative performance was modestly positive for the month, primarily the result of an underweight to the underperforming J-REIT sector. We remain selective in the J-REIT sector given less compelling relative valuations coupled with on-going equity issuances dampening overall sector performance.

Market review

Real estate stocks were +6.2% for October, outperforming both the MSCI World Index (+5.5%) and the Barclays Global Bond Index (-0.2%).

On a year-to-date basis, real estate stocks are up +24.6%, outpacing the MSCI World Equity Index (+21.6%) and the Barclays Global Bond Index (-4.3%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021.

In the United States, third quarter earnings results for publicly traded real estate companies began in mid-October, and the results thus far have been very strong. Per Citigroup Research, "of the 57 companies that have reported so far, more than 75% have beat earnings estimates compared with about 70% in the second quarter."

Globally, our analysts cover close to 500 real estate stocks. We currently estimate 2022 earnings growth should be in the 8.5% range, up from 7.5% earlier in the year. As we complete third quarter earnings season, our investment team will revise their 2022 earnings outlook, and given the reported results thus far, our early sense is that our current 2022 earnings estimates will be moving higher as we update our models.

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. The earnings outlook for real estate stocks is improving as we progress toward 2022. We believe investors committing capital to listed real estate at this time have the potential to earn an attractive absolute and relative long-term total return.

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 October 31, 2021, real estate stocks are trading at a global average discount to private market real estate value (i.e., NAV) of -2.3% with an implied unleveraged cash flow yield of 5.4%.

In the U.S., we are overweight towers, industrial, retail, hotels and storage. 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 own industrial companies, 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 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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