

# UBS CBRE Global Property Securities Fund

November 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
Sun Communities	United States
Camden Property Trust	United States
Simon Property Group.	United States
Digital Realty Trust	United States
Essex Property Trust	United States
Realty Income Corporation	United States
Ventas	United States

## Investment performance

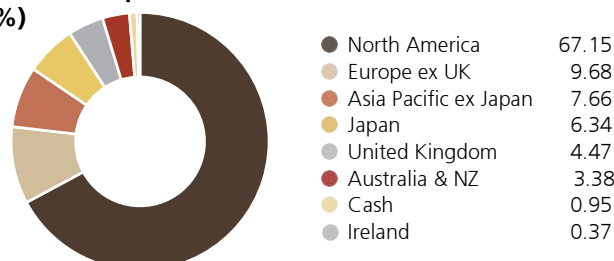
Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(0.95)	0.82	34.13	12.52	9.69	6.64
Benchmark**	(0.92)	(1.00)	26.74	6.74	6.70	5.78
<b>Added Value</b>	<b>(0.03)</b>	<b>1.82</b>	<b>7.39</b>	<b>5.78</b>	<b>2.99</b>	<b>0.86</b>

\*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	\$ 432.4 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 (%)



## Portfolio review

The portfolio underperformed the benchmark for November, adding to the significant positive relative performance delivered year-to-date.

For November, in local currency terms, the European region was the best performing region, followed by North America and then the Asia-Pacific region. The portfolio outperformed the benchmark as a result of positive stock selection.

In the U.S., outperformance was driven by positioning in the storage, data center and net lease sectors. In the storage sector, the portfolio benefited from being overweight outperforming Extra Space Storage (+7.5%), which raised 2021 earnings guidance for the fourth time in 2021 on its conference call in late October which propelled the sector to outperform in both October and November.

Outperformance in Europe for the month was due to positioning in select Nordic names coupled with overweights to outperforming industrial and storage stocks. Our overweight to outperforming Nordic diversified companies Nyfosa (+14.9%) and SBBB (+14.3%) added value. Both companies are generating positive NAV and earnings growth through solid fundamentals and accretive acquisitions throughout the Nordic region.

In the Asia-Pacific region, under performance for the month was driven by adverse stock selection in Australia and Hong Kong. In Australia, an overweight to real estate asset management stock HomeCo detracted value, taking a breather after a strong run YTD.

## Market review

Real estate stocks were down -0.9% for November, outperforming the MSCI World Index (-2.2%) and underperforming the Barclays Global Bond Index (-0.3%).

Year-to-date, real estate stocks are up +23.5%, outpacing the MSCI World Equity Index (+19.8%) and the Barclays Global Bond Index (-4.6%). After several years of relative underperformance, real estate stocks are among the best performing asset classes in 2021. Real estate stocks benefit from improving employment, pent-up consumer demand, and supportive government and central bank policies. All these factors support our earnings outlook for real estate stocks, which based on third quarter earnings season, is likely to be revised higher for 2022.

Stock performance was dragged lower in November after the detection of a highly transmissible form of COVID called the "Omicron Variant" was discovered and spread through South Africa. In the weeks ahead, there will certainly be significant information about this new COVID variant that will need to be evaluated and discounted by investors. Given that we are almost two years into the COVID pandemic, we believe the response rate from epidemiologists to combat this new variant will be rapid, and we believe governments and central banks around the world will do whatever it takes to maintain economic stability during this new phase of the pandemic.

## 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 November 30, 2021, real estate stocks are trading at a global average discount to private market real estate value (i.e., NAV) of -6% with an implied unleveraged cash flow yield of 5.7%. We currently estimate 2022 earnings growth should be in the 9.7% range, up from 7.5% projected earlier in the year.

In the U.S., we are overweight storage, towers, industrial, residential, 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 retail, commercial, 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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