

# UBS CBRE Global Property Securities Fund

December 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.

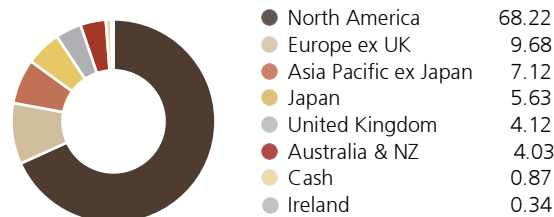
## Top 10 positions by stock

Name	Country
Prologis	United States
Extra Space Storage	United States
Sun Communities	United States
CubeSmart	United States
Camden Property Trust	United States
Simon Property Group.	United States
Essex Property Trust	United States
Digital Realty Trust	United States
Realty Income Corporation	United States
Rexford Industrial Realty	United States

## Fund information

Inception date	31 July 2006
Fund size	\$ 460.5 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	6.96	14.10	38.81	17.38	10.21	7.06
Benchmark**	6.29	11.64	30.94	11.40	7.08	6.17
<b>Added Value</b>	<b>0.67</b>	<b>2.46</b>	<b>7.87</b>	<b>5.98</b>	<b>3.13</b>	<b>0.89</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.

## Portfolio review

The portfolio outperformed the benchmark in December, adding to the significant positive relative performance delivered for the full year in 2021.

For the month, North America was the best performing region, followed by the Asia-Pacific region and Europe. The portfolio outperformance versus the benchmark was balanced between stock selection and sector allocation.

In the U.S., outperformance was driven by sector allocation decisions. Positioning in the storage, data centre and tower sectors accounted for most of the relative outperformance. In the Asia-Pacific region, stock selection in Singapore was the primary driver of relative performance, led by a position in outperforming Digital Core REIT. Positioning in Europe also benefited performance as positioning in the U.K. and on the Continent, each contributed modestly for the month.

## Market review

Real estate stocks were up +6.3 in December, ending the year on a strong note.

Real estate stocks delivered strong performance in December, up +6.3%, finishing up +30.9% for the year. 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, 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 has been revised higher and now exceeds 10% for 2022.

## 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 transition into 2022 and that outlook is superior to broad market earnings, where growth is moderating. 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.

At year-end 2021, real estate stocks are trading at a discount to the private market with an implied unleveraged cash flow yield of 5.6%. In the U.S., the spread between implied cap rates and Baa corporate bonds is +153 basis points versus a long-term average of +100 basis points. Outside the U.S., these spreads are wide as well. The forward multiple of global REIT earnings is 19.7x versus the 19.5x Price-to-Earnings ratio of the MSCI World Equity Index. Given the improving earnings growth outlook for global real estate stocks, coupled with the decelerating growth expected in broad equities, we believe the global REIT earnings multiple has the ability to trade at a premium to the MSCI World Equity Index. This historically occurs when real estate fundamentals and earnings are accelerating.

In the U.S., we are overweight storage, residential, malls, towers, 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 favour 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 favours mid to small cap stocks in 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 in a variety of market environments—including those of the rapidly changing Covid-19 pandemic. As we look ahead, we believe the portfolio is well-positioned to deliver continued relative outperformance.

## Client Services

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