

UBS CBRE Global Property Securities Fund

March 2022

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.

Target market

The Target Market Determination (TMD) for the Fund sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. To access to the TMD and other Fund documentation visit our [website](#).

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.

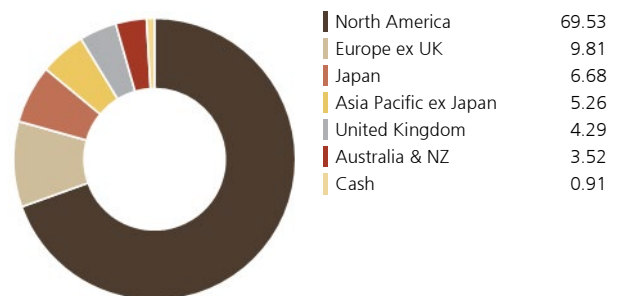
Top 10 positions by stock

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

Fund information

Inception date	31 July 2006
Fund size	\$ 438.8 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	4.91	(5.40)	22.28	10.01	9.02	6.57
Benchmark**	4.89	(4.18)	17.63	5.12	6.07	5.78
Added Value	0.02	(1.22)	4.65	4.89	2.95	0.79

* 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 performed essentially in-line with the benchmark for the month.

For the month, the Americas was the best performing region, followed by the Asia-Pacific region, while Europe was the laggard. Sector allocation decisions added value in all regions but was offset by stock selection, which was the result of sub-par stock selection in the U.S.

In the Americas, an overweight to the outperforming region added value but this was negated by the impact of sub-par stock selection in the U.S. residential sector. In the Asia-Pacific region, the portfolio outperformed the benchmark as stock selection and sector allocation decisions were modest contributors. Japan and Australia were the primary contributors to performance. In Europe, sector allocation decisions added value while stock selection was flat. We continue to be underweight the region, which has been negatively impacted by the conflict in Ukraine.

Market review

After falling in the first two months of 2022, global real estate stocks rebounded in March, up +5%. With the rebound in March, global real estate stocks are modestly outperforming the S&P 500 and the MSCI World Index year-to-date.

We believe the market is looking past some of the macro headwinds and more towards an earnings outlook which should drive real estate stock performance, and as a result we feel very good about the outlook for real estate stocks in 2022. Globally, our analysts cover close to 500 real estate stocks. We currently estimate 2022 earnings growth at approximately 11.0%, up from approximately 6.3% forecasted mid-last year for 2022 and improving from the approximate 9.0% growth that was achieved in 2021. We have completed fourth quarter earnings reporting season and our investment team believes there is potential upside to our current 2022 growth forecasts because of both improving real estate fundamentals and conservative management earnings guidance to begin the year. We believe our underwriting has appropriately incorporated higher interest rates and borrowing spreads in our 2022 and 2023 forecasts.

Outlook

We believe a "new real estate investment cycle" for publicly traded real estate stocks began at the stock market bottom in May 2020. As a result, we are early in this investment cycle for real estate securities. 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.

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 03/31/22, real estate stocks are trading at a discount of -6.3% to 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 +61 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 18.6x versus the 17.7x Price-to-Earnings ratio of the MSCI World Equity Index, normally the multiples are similar. 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 can trade at a premium to the MSCI World Equity Index, which historically occurs when real estate fundamentals and earnings are accelerating.

In the U.S., we are overweight residential, storage, towers, and hotels. In Japan, we prefer hotel, mid-cap diversified and office J-REITs that are providing earnings resiliency at very attractive relative valuations. In Hong Kong, we are overweight diversified companies with a commercial bias, asset managers and select retail. In Australia, we prefer asset managers, rural, retail, and a few select diversified companies. In the U.K., we favour the storage and industrial sectors. Within Continental Europe, we own industrial companies, residential companies and select retail companies.

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.

Client Services

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