UBS

UBS Asset Management
For Professional / Qualified / Institutional Investors only
All data as at 30 April 2022

UBS CBRE Global Property Securities Fund

April 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.

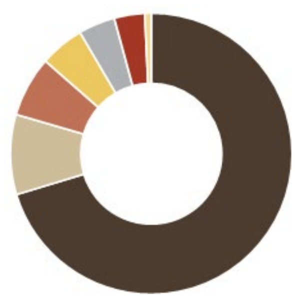
Top 10 positions by stock

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

Fund information

Inception date	31 July 2006
Fund size	$ 425.0 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 (%)



North America	70.31
Europe ex UK	9.20
Japan	6.96
Asia Pacific ex Japan	5.10
United Kingdom	4.20
Australia & NZ	3.50
Cash	0.74

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(3.18)	(1.71)	10.46	8.78	8.26	6.32
Benchmark**	(4.39)	(2.43)	5.69	3.80	5.00	5.45
Added Value	**1.21**	**0.72**	**4.77**	**4.98**	**3.26**	**0.87**

* 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 month.

For the month, Asia-Pacific was the best performing region (-0.7%), followed by North America (-4.6%), with Europe being the laggard (-5.7%). From a relative performance perspective, all three regions contributed positively to relative performance for the month with both stock selection and sector allocation adding value.

In the Americas region, relative outperformance was driven primarily by portfolio positioning in the U.S. residential, healthcare, and industrial sectors. The portfolio was overweight both American Campus Communities and PS Business Parks when Blackstone announced their purchase at a double-digit premium to the pre-announcement price.

In the Asia-Pacific region, the portfolio benefited from a regional overweight and stock selection in Japan, particularly an overweight in Japan Hotel REIT (+6%) which continues to benefit from a recovery in economic activity and re-opening of domestic travel.

In Europe, the portfolio benefited from a regional underweight as well as strong stock selection by avoiding weaker performing stocks such as SBBB (diversified Swedish company) and Balder (Swedish and Finnish residential) which underperformed on higher floating-rate debt exposure.

Market review

Since the beginning of the year, fixed income and equity markets have had to navigate inflation fears, accelerating expectations of global rate hikes, the war in Ukraine, and China shutting down material parts of its economy to combat COVID. In April, in addition to the aforementioned macroeconomic and geopolitical challenges, the U.S. Ten Year Treasury yield had its biggest monthly increase since December 2009, rising from 2.3% on March 31st to 2.9% at the end of April. Global real estate stocks fell -4.2% in April. Through April, global real estate stocks continue to outperform the S&P 500, the MSCI World Index, and the Barclays Global Bond Index on a year-to-date basis.

At the end of April, we are approximately midway through first quarter earnings season. Thus far, earnings season has provided very good results, with property sectors like industrial, storage, residential, and hotels offering upside potential to consensus 2022 earnings estimates, and even lackluster sectors like office met expectations for the quarter and reinforced expectations for the year.

In addition to operating fundamentals and earnings outlook, we continue to believe that the listed market will benefit from the market's "animal spirits" via M&A activity. We witnessed these spirits in April, with affiliates of Blackstone Group taking private both PS Business Parks (industrial/flex office; $7.6 billion all-cash transaction) and American Campus Communities (student housing; $12.8 billion all-cash transaction) at approximately 13% premiums to prior day stock prices.

Outlook

Based on our proprietary valuation dashboard, real estate securities valuations are attractive. At 04/30/22, real estate stocks are trading a discount of 9.9% to NAV with an implied unleveraged cash flow yield of 5.5%. In the U.S., the spread between implied cap rates and Baa corporate bonds is +44 basis points. Outside the U.S., these spreads are also wide. The forward multiple of global REIT earnings is 17.8x versus the 16.2x Price-to-Earnings ratio of the MSCI World Equity Index. REIT multiples tend to trade at a premium to broad equities when growth is more compelling. The growth outlook for global real estate is accelerating in 2022 versus expected sharp deceleration in broad equities.

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

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 pandemic. As we look ahead, we believe our portfolio is well-positioned to deliver relative outperformance.

Client Services

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