

UBS CBRE Global Property Securities Fund

May 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.

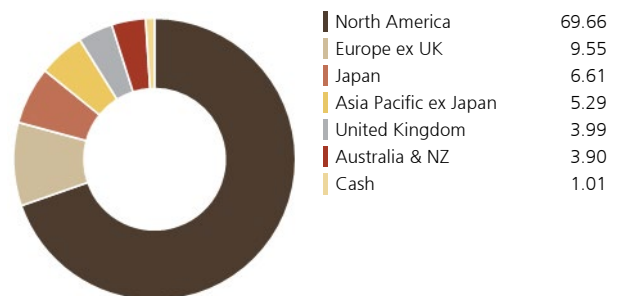
Top 10 positions by stock

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

Fund information

Inception date	31 July 2006
Fund size	\$ 405.6 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	(5.98)	(4.50)	2.46	6.32	6.84	5.87
Benchmark**	(5.04)	(4.76)	(0.89)	1.97	3.88	5.07
Added Value	(0.94)	0.26	3.35	4.35	2.96	0.80

* 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 underperformed the benchmark for the month.

From a relative performance perspective, the Americas and European regions contributed negatively to relative performance for the month, while the Asia-Pacific region was a positive contributor for the month.

In the Americas region, relative underperformance was driven by portfolio positioning in the U.S. residential, healthcare, and industrial sectors. In the residential sector, overweights to underperforming Tricon Residential (-15%; single-family for rent) and NexPoint Residential (-18%; class B multifamily) drove negative relative performance for the month. The stocks have several similarities: 1) focus primarily on the Sun Belt region of the United States; 2) focus on family and "workforce" housing and; 3) strong first quarter earnings results and outlook. Despite poor May performance, we strongly believe in the outlook for each stock and maintain our overweight.

In the Asia-Pacific region, outperformance was driven by positive contributions from Japan (LaSalle LOGIPORT REIT; Industrial +4.2%) and Singapore (Lendlease Global Commercial REIT; diversified +3.1%). The reopening of the economies in Japan, Hong Kong, and China will certainly help sentiment in this region.

In the European Region, positive relative contribution from Continental Europe was offset by negative relative contribution from the U.K. Top contributors to performance in Continental Europe were Deutsche EuroShop (+40.0%, German shopping centres), LEG (+1.2%, German residential), and Merlin (+3.6%; Spanish diversified). In the U.K., the largest detractor was from performance was Tritax Big Box (-15.9%).

Market review

Global real estate stocks fell -5.0% in May, materially underperforming the S&P 500, the MSCI World Index, and the Barclays Global Bond Index. We believe global real estate stocks are oversold on an absolute basis and now relative to other asset classes. 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.

First quarter earnings season was quite strong, with companies in the industrial, storage, residential, and hotel sectors offering upside potential to consensus 2022 earnings estimates, and even companies in the lacklustre office sector met expectations for the quarter and reinforced expectations for the year. Last month, affiliates of the Blackstone Group entered into deals that will take 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. In May, despite stock market turbulence, eutsche Euroshop (Ticker: DEQ.GY), a German-based shopping centre company, announced that it agreed to be taken private in transaction valued at a 44% premium to the prior day's stock market close by a joint bid from Oaktree and CURA. We believe this activity reinforces publicly traded real estate stocks are cheaper than private market real estate assets and there is a tremendous amount of capital in the private market that needs to be invested; both observations are positive for real estate stock prices.

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 continues to improve and 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.

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 05/31/22, real estate stocks are trading at a discount of 12.2% to NAV with an implied unleveraged cash flow yield of 5.7%.

In the U.S., we are overweight residential (apartments & single-family home for rent), storage, towers and hotels. In Japan, we prefer mid-cap diversified 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, 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.

Client Services

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