

# UBS CBRE Global Property Securities Fund

August 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.

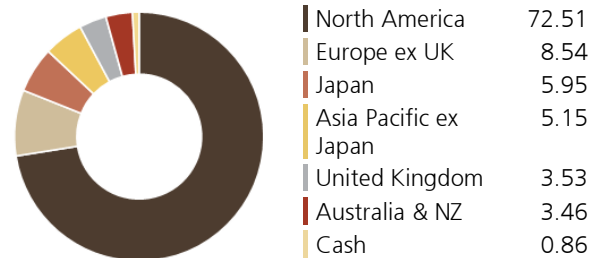
## Investment return objective

The Fund aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) over rolling three year periods.

## Fund information

Inception date	31 July 2006
Fund size	\$ 365.4 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 (%)



## Top 10 positions by stock

Name	Country
Prologis	United States
CubeSmart	United States
Digital Realty Trust	United States
Sun Communities	United States
Alexandria Real Estate Equities	United States
Extra Space Storage	United States
Camden Property Trust	United States
Equinix	United States
Rexford Industrial Realty	United States
Link Real Estate Investment Trust	Hong Kong

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(5.79)	(6.38)	(13.07)	2.06	5.05	5.34
Benchmark**	(5.90)	(6.89)	(14.75)	(1.90)	2.13	4.53
<b>Added Value</b>	<b>0.11</b>	<b>0.51</b>	<b>1.68</b>	<b>3.96</b>	<b>2.92</b>	<b>0.81</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 for the month.

Relative outperformance in the Americas region was primarily driven by portfolio positioning in the U.S. storage sector. The storage sector materially outperformed all other property sectors in the US, generating a +1.7% total return for the month. Second quarter earnings results were outstanding for the sector, and three key storage positions, ExtraSpace (+4.9%), Life Storage (+1.1%), and CubeSmart (+0.40%) generated positive performance for the month.

The Asia-Pacific region modestly underperformed on a relative basis for the month with positive stock selection in Australia more than offset by Hong Kong positioning which detracted from performance. In Australia, overweight positioning in diversified asset manager Charter Hall and retail owner Scentre Group added value as both companies delivered positive earnings results in August. In Hong Kong, our underweight to outperforming Wharf REIC detracted from performance. The group reported 1H 2022 results beating street expectations driven by: 1) lower marketing expenditure, and; 2) reduced rent concessions supporting better margins.

The European Region had a difficult month, driven by the war in Ukraine, high energy prices, high inflation, volatile interest rates, and political uncertainty in the U.K. with Boris Johnson leaving office. There were no stocks that were "safe havens" during the month. Our relative outperformance was entirely driven by being underweight the U.K., which underperformed the global index materially for the month, down -10.2%. Our underweight to the region has been driven by our view that the region offers below average growth relative to its valuation.

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## Market review

After rallying approximately +8.0% in July, global real estate stocks rolled over in August with the rest of the capital markets, falling -5.8% for the month. Global real estate stocks modestly underperformed the S&P 500 (-4.1%) and the MSCI World Index (-3.4%). In August, macroeconomic factors, as opposed to real estate specific news, negatively affected real estate stocks. The material movement of the U.S. 10-year Treasury yield from 2.64% to 3.13% was a significant source of volatility and uncertainty in the month, as investors attempt to discount inflation expectations and the future Fed Funds interest rate increases by the U.S. Federal Reserve.

## Outlook

The earnings outlook for real estate stocks is strong and is superior to broad market earnings, where growth is moderating. We believe any moderation or pause in the rapid rise in interest rates we have experienced during 2022 should help soothe the capital markets and act as a positive catalyst for real estate stocks. 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. Real estate stocks are currently trading at a discount of 17% to NAV with an implied unleveraged cash flow yield of 6.0%. The forward multiple of global REIT earnings is 15.4x versus the 15.2x Price-to-Earnings ratio of the MSCI World Equity Index. We believe REITs should trade at a premium given their stronger growth outlook.

We are overweight Canadian real estate stocks with an emphasis on residential. In the U.S., we are overweight storage, residential, lodging, industrial and data centers. In Japan, we prefer mid-cap diversified, industrial and hotel J-REITs that are providing earnings growth and resiliency at very attractive relative valuations. In Hong Kong and Singapore, we are overweight diversified companies with a commercial bias and non-discretionary retail. In Australia, we prefer non-discretionary retail, industrial, and a few select diversified companies. In the U.K., we favor the storage, student housing and residential 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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