

# UBS CBRE Global Property Securities Fund

September 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	Portfolio Weight (%)
Prologis	United States	7.68
Digital Realty Trust	United States	4.43
Sun Communities	United States	4.11
CubeSmart	United States	4.05
Alexandria Real Estate Equities	United States	3.96
Equinix, Inc.	United States	3.63
Camden Property Trust	United States	3.32
Extra Space Storage	United States	2.87
Link Real Estate Investment Trust	Hong Kong	2.81
Simon Property Group	United States	2.46
<b>Total</b>		<b>39.30</b>

## Fund information

Inception date	31 July 2006
Fund size	\$ 298.3 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 5 overweight by stocks

Name	Country	Active Weight (%)
CubeSmart	United States	3.37
Sun Communities	United States	2.87
Camden Property Trust	United States	2.39
Digital Realty Trust	United States	2.31
Alexandria Real Estate Equities	United States	2.25

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
Public Storage	United States	-3.45
Welltower	United States	-2.25
VICI Properties	United States	-2.16
AvalonBay Communities.	United States	-1.94
Equity Residential	United States	-1.87

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(12.22)	(10.33)	(19.26)	(2.93)	2.43	4.47
Benchmark**	(12.37)	(10.78)	(20.75)	(6.93)	(0.52)	3.66
<b>Added Value</b>	<b>0.15</b>	<b>0.45</b>	<b>1.49</b>	<b>4.00</b>	<b>2.95</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.

For the month, the Asia-Pacific region was the best performing region (-6.8%), followed by the Americas region (-12.1%), with the European region being the laggard (-16.0%). From a relative performance perspective, the Asia-Pacific and Europe contributed for the month, while the Americas detracted modestly.

In the Asia-Pacific region, relative outperformance was driven by stock selection in Japan. The portfolio was overweight two of the best-performing stocks, Japan Hotels and Japan Metropolitan. Japan Hotels is benefiting from the government's relaxation of COVID lockdown restrictions, which in-turn encourages both domestic and international travel to Tokyo. Japan Metropolitan is a diversified REIT with approximately 50% of its portfolio focused on urban retail.

The Americas region was a slight drag on performance for the month as positive stock selection in Canada was more than offset by modest underperformance in the U.S. In the U.S. net lease sector, the portfolio benefited from an M&A announcement as holding STORE Capital was privatized by GIC (the Government of Singapore's sovereign wealth fund) in partnership with Oak Street, one of the largest net lease investors. The \$14B cash transaction represented a premium of 20% to STORE Capital's prior close. This benefit was more than offset by relative underperformance in the data center and hotel sector during the month.

The European region had a difficult month, driven by the ongoing conflict in Ukraine, high energy prices, high inflation, volatile interest rates, and political change in the U.K. and Italy. Our relative outperformance for the month was helped by positive stock selection on the Continent and positive sector allocation in the U.K.

## Market review

Global real estate stocks suffered a difficult September, falling -11.7%, as macroeconomic and geopolitical factors, as opposed to real estate specific news, negatively affected real estate stocks. Persistently high inflation, the responsive central bank rate hikes, the corresponding surge in bond yields, and the moderating outlook for global economic growth, all captured in volatile currency movements were headwinds during the quarter. Finally, the material movement of the U.S. 10-year Treasury yield was a significant source of volatility and uncertainty as investors attempt to discount inflation expectations and the future rate increases.

## Outlook

Given the material rise in Fed Funds and interest rates during 2022, the market is clearly questioning/challenging the appropriate discount rate to apply to a capital intensive sector like real estate. With real estate stocks down nearly -30% year-to-date, we believe that real estate securities have become very attractively priced relative to the private real estate market, and reasonably priced versus the fixed income market and the broader stock market. The earnings outlook for real estate stocks is strong and superior to broad market earnings, where growth is moderating significantly. 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.

At September 30, real estate stocks were trading at a -23% NAV discount with an implied unleveraged cash flow yield of 6.5%. The forward multiple of global REIT earnings is 13.5x versus the 13.8x P/E ratio of the MSCI World Equity Index. Given the earnings growth outlook for global real estate stocks compared with the materially decelerating growth expected in broad equities, we believe the global REIT earnings multiple should trade at a premium.

We own a well-balanced portfolio of securities that have been screened for their growth prospects in combination with the quality of their business models, assets, balance sheets, and management teams.

In North America, we are overweight storage, residential, industrial, lodging and data centers. In Japan, we prefer mid-cap diversified, hotel J-REITs that are providing earnings growth and resiliency at very attractive valuations. In Hong Kong, 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 and residential sectors. Within Continental Europe, we own industrial, residential and select retail companies.

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. As we look ahead, we believe our portfolio is well-positioned to deliver both absolute and relative performance.

## Client Services

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