

# UBS CBRE Global Property Securities Fund

June 2023

## 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.

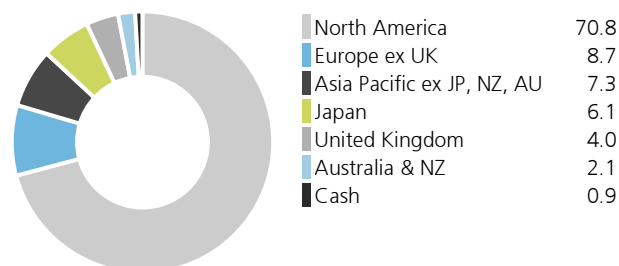
## Investment objective

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	\$ 320.5m
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	Portfolio Weight (%)
Prologis, Inc.	United States	6.02
Equinix, Inc.	United States	4.30
Welltower Inc.	United States	3.80
Public Storage	United States	3.75
CubeSmart	United States	3.53
Sun Communities, Inc.	United States	3.40
Alexandria Real Estate Equities, Inc.	United States	3.38
Rexford Industrial Realty, Inc.	United States	3.26
Simon Property Group, Inc.	United States	3.15
Digital Realty Trust, Inc.	United States	3.07
<b>Top 10 Total</b>		<b>37.66</b>

## Top 5 overweight by stocks

Name	Country	Active Weight (%)
CubeSmart	United States	2.82
Rexford Industrial Realty, Inc.	United States	2.51
Sun Communities, Inc.	United States	2.26
Alexandria Real Estate Equities, Inc.	United States	2.00
Frasers Logistics & Commercial Trust	Singapore	1.84

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
Realty Income Corporation	United States	(2.81)
VICI Properties Inc	United States	(2.24)
Prologis, Inc.	United States	(2.03)
AvalonBay Communities, Inc.	United States	(1.88)
Equity Residential	United States	(1.75)

## Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.76	0.44	(5.33)	(6.87)	5.14	2.56	4.60
Benchmark**	0.00	(2.17)	(9.02)	(10.03)	1.92	(1.11)	3.61
<b>Added Value</b>	<b>2.76</b>	<b>2.61</b>	<b>3.69</b>	<b>3.16</b>	<b>3.22</b>	<b>3.67</b>	<b>0.99</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.

## Market performance review

Global real estate stocks rose +3.0% for the month.

Global REITs delivered strong performance in June as investors have been climbing a “wall of worries” which include the direction of interest rates, the pace of inflation, the strength of the global economy, the debt ceiling negotiations in the United States, and what the weakness in the office sector means for commercial real estate and real estate stocks. As the month progressed, these worries were largely addressed. The global economy remains strong and, as a result, the probability of a global recession in 2023 is diminishing. Inflation is moderating. Compromise was reached in the U.S. debt ceiling negotiations. While office sector fundamentals remain challenged in many markets, office-focused real estate stocks comprise less than 5% of a real estate securities benchmark and so have no material impact on publicly traded commercial real estate stock index performance. With real estate stocks rallying in June, we believe investors are beginning to take note that these “worries on the wall” are falling by the wayside.

We believe real estate stocks are oversold and attractively valued relative to private market real estate. We see continued earnings and dividend growth in listed real estate for 2023 and 2024. Real estate stocks offer above-average and growing dividend yields, inflation-protected earnings growth, and a history of outperformance during periods of above-average inflation. 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.

The long-term nature of leases in most real estate property sectors combined with the current pricing power for many property sectors (demand is outstripping supply) limits the impact of the macroeconomic and geopolitical headwinds on forward earnings. Additionally, the economic landscape continues to evidence modest growth and we believe that a positive mid-single-digit earnings growth rate is achievable given the significant pricing power and embedded organic growth present in sectors such as residential, industrial, storage, data centers, and lab space. We believe real estate earnings will remain more resilient than that of broad equities.

## Portfolio performance

The portfolio modestly trailed the benchmark for the month as positive stock selection offset by allocation decisions. Positioning in Europe and the Asia-Pacific region added value, while positioning in the Americas detracted from returns.

Relative performance in the Americas region was a drag for the month as positioning in the office sector hurt performance, we do not have any exposure to the office sector given ongoing challenges with excess supply and low demand. The sector outperformed for the month but has underperformed year-to-date. In the Asia-Pacific region, relative outperformance was driven by positioning in Australia, where stock selection and sector allocation contributed to performance. Meanwhile, relative performance in Hong Kong, Japan and Singapore was essentially flat. In the European region, relative outperformance was driven by positive stock selection on the Continent and the U.K, while sector allocation decisions were flat. The portfolio is materially underweight the Nordic region, which was a significant underperformer for the month.

## Market outlook

Global REITs currently trade at an attractive ~19% discount to estimates of NAV or intrinsic value—estimates that we have lowered to reflect higher interest rates, conservative earnings growth assumptions, and the potential for a global recession.

Historically, when REIT valuations have traded at material discounts to NAV, investors have benefited from buying the space. We believe listed real estate is attractively priced compared to the private real estate market, and reasonably priced versus the fixed income market and the broader stock market.

Our 2023 earnings growth outlook for global real estate stocks is in the mid-single-digit range, and we believe this growth outlook will be superior to broad market earnings growth, where growth expectations have been significantly reduced. First quarter earnings reports have reinforced our full-year projections. We believe any moderation or pause in Central Bank rate increases should 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.

In North America, we are overweight single-family homes for rent, manufactured housing, storage, malls and hotels. In Japan, we prefer mid-cap diversified, retail and office 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 retail. In Australia, we prefer residential, industrial, and a few select diversified companies. In the U.K., we favor the storage and residential sectors. Within Continental Europe, we have a positive bias toward retail, industrial, storage, and select diversified companies.

## Client Services

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