

# UBS CBRE Global Property Securities Fund

July 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.

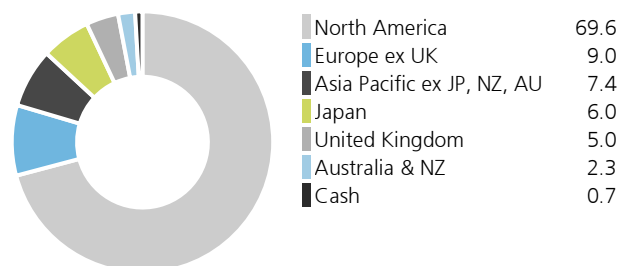
## Investment objective

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	\$ 324.4m
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	5.71
Welltower Inc.	United States	4.15
Equinix, Inc.	United States	3.66
Alexandria Real Estate Equities, Inc.	United States	3.64
Public Storage	United States	3.58
Rexford Industrial Realty, Inc.	United States	3.42
CubeSmart	United States	3.35
Simon Property Group, Inc.	United States	3.27
Sun Communities, Inc.	United States	3.24
Invitation Homes, Inc.	United States	3.07
<b>Top 10 Total</b>		<b>37.09</b>

## Top 5 overweight by stocks

Name	Country	Active Weight (%)
CubeSmart	United States	2.69
Rexford Industrial Realty, Inc.	United States	2.66
Alexandria Real Estate Equities, Inc.	United States	2.16
Sun Communities, Inc.	United States	2.14
Frasers Logistics & Commercial Trust	Singapore	1.77

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
Realty Income Corporation	United States	(2.77)
Prologis, Inc.	United States	(2.19)
VICI Properties Inc	United States	(2.17)
AvalonBay Communities, Inc.	United States	(1.81)
Equity Residential	United States	(1.69)

## Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	2.50	1.95	(10.50)	(7.96)	5.11	2.94	4.73
Benchmark**	3.20	(0.79)	(13.21)	(10.61)	2.35	(0.67)	3.78
<b>Added Value</b>	<b>(0.70)</b>	<b>2.74</b>	<b>2.71</b>	<b>2.65</b>	<b>2.76</b>	<b>3.61</b>	<b>0.95</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 +3.3% in July and are now up +4.8% year-to-date.

After having climbed the macroeconomic and real estate-specific wall of worries for the majority of 2023, investors in global real estate stocks are beginning to believe they are close to the top of the wall. In July, global real estate stocks kept pace with the broader equity markets and outperformed the fixed income markets. Just as important, global real estate stocks have now generated in excess of +3% investment performance for two months in a row.

We are approximately mid-way through second quarter earnings reporting season. Overall, earnings reports are in-line to ahead of expectations, and 2023 guidance has either been confirmed or modestly raised. We are highly confident about our forward earnings projections. In addition, a trend that started quietly in the first quarter of 2023 continued in July – this trend is large-cap, well-capitalized, publicly traded real estate companies buying accretive portfolios from private real estate funds that need to meet investors' redemption requests. In July, Public Storage acquired a \$2.2 billion portfolio from Blackstone's BREIT at a stabilized yield (once development projects stabilize) of approximately 6.5%. If this trend were to both continue and expand, this would represent upside to our current 2024 earnings projections.

## Portfolio performance

In July, the portfolio modestly underperformed the benchmark.

In the Americas region, positive stock selection was offset by negative sector allocation, generating negative relative performance for the month. From a sector allocation perspective, our overweight to the underperforming storage sector combined with an underweight to the outperforming office sector were the two key contributors to negative sector allocation. There was certainly a material reversal in July, as office was up +15.2% and storage was down -4.2%. While we acknowledge the office sector's fundamental weakness is an extremely well-understood narrative, and it is likely that the office sector was oversold and became "too cheap" relative to the benchmark into mid-year, our fundamental work suggests there will be no improvement in occupancy or market rental rates into 2024.

In the Asia-Pacific region, relative performance was modestly positive versus the benchmark for the month. Positive relative contribution from Australia was driven by an overweight position in Rural Funds Group and Lifestyle Communities (LIC AU). LIC is significantly scaling its production rate with the launch of seven new projects, underpinned by strong demographic tailwinds. The manufactured housing estate developer outperformed following the RBA's decision to pause its rate hiking cycle.

In the European region, relative underperformance was driven by stock selection in Continental Europe. Our European stock selection has delivered solid relative outperformance year-to-date but underperformed in July. We have been materially underweight German residential stocks due to over-levered balance sheets combined with moderating fundamentals. In July, the +8.4% rally in European real estate stocks caused a short-covering rally in the highest levered names, such as German residential companies Vonovia (+18.7%) and LEG (+22.3%). Over any reasonable period, high quality balance sheet companies outperform low quality balance sheet companies.

## Market outlook

Global REITs currently trade at an attractive ~16% 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.

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. We believe the end of Central Bank rate increases will act as a positive catalyst for real estate stocks.

In North America, we are underweight Canadian real estate stocks, preferring residential. In the U.S., we are overweight single-family homes for rent, storage, healthcare, towers and hotels. In Japan, we prefer mid-cap diversified, hotels, 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 prefer retail, industrial, storage, and select diversified companies.

## Client Services

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