

UBS CBRE Global Property Securities Fund

September 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.

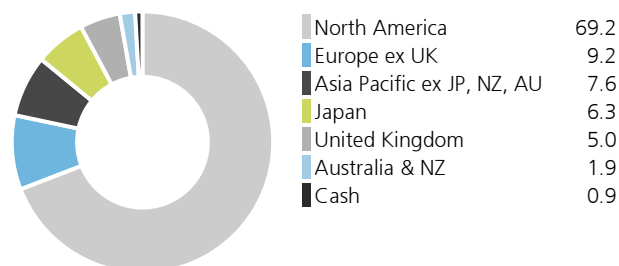
Investment objective

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	\$ 267.9m
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 (%)
Public Storage	United States	7.11
Welltower Inc.	United States	6.22
Simon Property Group, Inc.	United States	5.63
Invitation Homes, Inc.	United States	5.22
Equinix, Inc.	United States	4.58
Prologis, Inc.	United States	4.43
Rexford Industrial Realty, Inc.	United States	3.89
Alexandria Real Estate Equities, Inc.	United States	2.82
CubeSmart	United States	2.70
SBA Communications Corp. Class A	United States	2.10
Top 10 Total		44.70

Top 5 overweight by stocks

Name	Country	Active Weight (%)
Public Storage	United States	3.96
Invitation Homes, Inc.	United States	3.75
Welltower Inc.	United States	3.13
Rexford Industrial Realty, Inc.	United States	3.12
Simon Property Group, Inc.	United States	2.96

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Prologis, Inc.	United States	(3.45)
Digital Realty Trust, Inc.	United States	(2.75)
Realty Income Corporation	United States	(2.56)
VICI Properties Inc	United States	(2.22)
Extra Space Storage Inc.	United States	(1.93)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	(6.39)	(6.76)	(1.56)	(10.85)	2.10	1.09	4.11
Benchmark**	(6.01)	(5.84)	(3.98)	(12.76)	(0.43)	(2.39)	3.19
Added Value	(0.38)	(0.92)	2.42	1.91	2.53	3.48	0.92

* 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 Review

Global real estate stocks posted their first negative quarter for the year, with most of the drawdown occurring during the latter half of September in the wake of the Fed's decision to take a 'pause' on rate hikes and adopting a narrative of a 'higher for longer' bias on rates. Yields on sovereign credit rose during the quarter as benchmark rates in several markets reached pre-GFC highs.

Meanwhile, economic growth remains positive in most developed economies; however, the Asia-Pacific region is being weighed down by a decelerating Chinese economy. Europe was the only region to post positive performance for the quarter as returns on the Continent were helped by a rally in German residential stocks. Performance in the Asia-Pacific region was mixed, with performance in Japan being a notable bright spot. Performance in the Americas lagged, with most of the underperformance occurring late in the quarter. We continue to believe real estate stocks remain oversold and are attractively valued relative to private market real estate. 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.

North America

The Americas region underperformed for the quarter but remains an outperforming region year-to-date. Within the region, the U.S. office, data center, hotel and retail sectors were relative outperformers. The storage, net lease and residential sectors were the relative underperformers for the quarter.

M&A activity increased, as Realty Income and Public Storage acquired property portfolios from Blackstone, Hershah Hospitality agreed to be acquired and Kimco acquired RPT Retail Trust in an all-stock transaction.

Asia-Pacific

The Asia-Pacific region, although down, was a relative outperformer on the strength of the Japanese markets. Japan was one of the best-performing regions in the market for the quarter.

Hong Kong was one of the worst-performing markets within the region as negative economic news and sentiment from China continues to create negative headwinds for the region as well as for the Hong Kong stock market.

Europe

Stocks on the Continent outperformed during the quarter, led by a rally in German residential stocks that benefited from increasing demand, tight supply and rising mortgage rates. Performance in the retail sector was mixed during the quarter, while the industrial and storage sectors lagged.

In the U.K., stocks were down modestly for the quarter on news of higher rates and persistent inflation. The U.K. 'majors' (British Land, LandSec) held up somewhat better during a lackluster quarter.

Performance review

Our disciplined process seeks consistent outperformance through active stock and sector allocation driven by our in-depth fundamental research and sophisticated quantitative investment tools.

Summary

While relative performance remains positive year-to-date, the portfolio modestly trailed the benchmark for the quarter. Regionally, positioning in the Asia-Pacific region was positive for the quarter but was more than offset by relative underperformance in Europe and the United States.

Americas

In Canada, stock selection and sector allocation added value for the quarter. In the U.S., stock selection and sector allocation were a drag on relative performance. An underweight to the outperforming office sector as well as an overweight to the underperforming residential and storage sectors accounted for most of the drag.

Asia-Pacific

Stock selection was strong across most markets for the quarter, led by strong stock selection in Australia as Goodman (industrial), Lifestyle Communities (manufactured housing) and Rural Funds Group (farmland) were the notable outperformers. In Japan, positive stock selection in the J-REIT sector benefited positioning.

Europe

Sector allocation benefited relative performance for the quarter as the portfolio was overweight outperforming Europe although negative stock selection weighed on performance. Stock selection was negatively impacted by an underweight of German residential names which bounced after a difficult first half of 2023.

Market outlook

Historically attractive valuations

- We believe the listed markets have priced in 'higher for longer' interest rates and screen attractive relative to fixed income, equities, and private real estate
- We estimate that REITs are trading at approximately -23% discount to private market values despite incorporating an expected 15% reduction in private real estate values
- REITs rarely trade at such a wide discount to the private markets
- These periods have typically preceded periods of strong returns

Fundamentals remain solid

- High occupancies, long-duration leases and staggered lease terms support earnings stability
- Higher construction costs support a healthy supply vs demand dynamic
- Balance sheets and leverage levels for the public companies are in a position of strength relative to history
- We project dividend growth of approximately 10% in 2023

Headline risk versus reality

- REITs can and have performed well in a higher-for-longer interest rate environment
- Despite tighter lending standards overall, REITs have demonstrated an access to capital not available to private real estate investors
- M&A transactions have increased as REITs have access to capital as well as a cost of capital advantage compared with private market investors

Key investment themes

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. We are positive on property types, regions, and stocks that offer these qualities at attractive relative valuations. During the quarter, we added to U.S. retail, and healthcare and office, which was funded by trims to data centers, industrial and residential.

United States overweights

- Malls
- Healthcare: Favor Private-Pay Senior Living & Life Science
- Storage
- Hotels: Bias toward business travel
- Residential: Coastal apartments and Single Family for Rent
- Towers

Non-US overweights

- Australia: Industrial, Data Centers, Retail, Farmland
- Hong Kong: Retail and Diversified
- J-REITs: Mid-cap Diversified and Hotels
- J-REOCs: committed to improving corporate governance
- UK: Storage and Residential
- Continental Europe: Retail, Storage, and Diversified

Client Services

www.ubs.com/am-australia

Telephone: (03) 9046 4041

Freecall: 1800 572 018

Email: ubs@unitregistry.com.au

Any financial product advice in this document is general advice only and has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS AG or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer and responsible entity of the Funds. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund including the details of the management fee received by the responsible entity are contained in the Product Disclosure Statement (PDS) dated 26 September 2022. The responsible entity has also issued a target market determination (TMD) that describes the class of consumers that comprises the target market for the Fund and matters relevant to its distribution and review. A copy of the PDS (including the PDS additional information booklet) and TMD are available on our website at <https://www.ubs.com/au/en/asset-management.html> or by calling (03) 9046 4041 or 1800 572 018.

The PDS and application form is only available to persons receiving it (electronically or otherwise) while physically in Australia, unless expressly authorised by us in writing. The offer does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. The Fund (or the PDS) has not been registered under the laws of any jurisdiction outside Australia. The Fund may not be offered or sold in the United States of America or to 'U.S. Persons' (as defined in 'Regulation S' of the Securities Act of 1933, as amended).

This document may not be reproduced or copies circulated without prior written authority from UBS Asset Management (Australia) Ltd.

CBRE Investment Management (CBRE) is the portfolio manager of the Fund and receives a fee that is paid from the fee received by the responsible entity and described in the PDS. Investment opinions expressed in this document represent the opinions of CBRE which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as investment advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While CBRE believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

Past performance of various investment strategies, sectors, vehicles and indices are not indicative of future results. Investing in infrastructure securities involves risk including potential loss of principal. Infrastructure equities are subject to risks similar to those associated with the direct ownership of infrastructure assets. Portfolios concentrated in infrastructure securities may experience price volatility and other risks associated with non-diversification. While equities may offer the potential for greater long-term growth than some debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. There is no guarantee that risk can be managed successfully. There are no assurances performance will match or outperform any particular benchmark. Indices are unmanaged and not available for direct investment.

