

UBS CBRE Global Property Securities Fund

November 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.

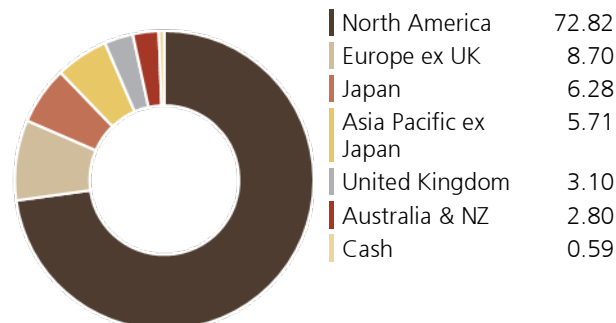
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Prologis	United States	6.94
Digital Realty Trust	United States	4.81
Equinix	United States	4.27
CubeSmart	United States	4.00
Alexandria Real Estate Equities	United States	3.74
Invitation Homes	United States	2.80
Simon Property Group, Inc.	United States	2.65
Life Storage, Inc.	United States	2.50
Link Real Estate Investment Trust	Hong Kong	2.46
Rexford Industrial Realty, Inc.	United States	2.27
Top 10 total		36.44

Fund information

Inception date	31 July 2006
Fund size	\$ 325.2m
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	3.36
Digital Realty Trust	United States	2.63
Alexandria Real Estate Equities	United States	2.02
Life Storage	United States	1.88
Rexford Industrial Realty	United States	1.62

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Public Storage	United States	-3.19
Realty Income Corporation	United States	-2.67
Welltower	United States	-2.26
VICI Properties	United States	-2.25
AvalonBay Communities	United States	-1.67

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	4.21	(5.36)	(18.40)	(0.98)	3.38	4.90
Benchmark**	4.85	(4.94)	(18.15)	(4.61)	0.64	4.13
Added Value	(0.64)	(0.42)	(0.25)	3.63	2.74	0.77

* 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 underperformed the benchmark for the month.

Relative underperformance within the Americas region was driven by overweights to the U.S storage and hotel sectors, which underperformed on the month despite limited new fundamental news. This was partially offset by an overweight to the top-performing U.S. data center sector, which was up +19% for the month. We have been adding to data centers over the last several months as the sector had underperformed earlier in the year and is now attractive based on solid pricing power and valuations that screen attractive relative to other property sectors.

In the Asia-Pacific region, relative outperformance was driven by strong stock selection within Australia and Hong Kong. Within Australia, overweight positions in outperforming industrial owner Goodman Group, led to outperformance for the month. In Hong Kong, last month's underperformers became this month's outperformers as concerns about China's zero-COVID policies begin to moderate and an expected re-opening of the Chinese economy began to take shape. As a result, two of our larger positions, Link REIT (+16%) and Hang Lung Properties (+45%) outperformed for the month.

The European region was a relative detractor for the month with positive stock selection in the U.K. more than offset by negative stock selection in Continental Europe. In the U.K., positive stock selection was driven by an overweight to residential landlord Grainger while overweights to underperforming German residential REIT LEG Immobilien (-8%) and Shurgard Self Storage (-5%) were a drag on relative performance.

Market review

After rebounding +3.4% in October, global real estate stocks rose +5.1% in November but remain down -21.5% on the year. Fourth quarter-to-date, stock market sentiment has turned more constructive as economic reports suggest inflation is moderating and medium-term interest rates, using the 10-year U.S. Treasury yield as a proxy, are materially down from their high point reached in early October. Real estate companies have completed 3Q earnings season, with the vast majority of companies reporting results that were either in-line with or exceeded consensus estimates.

We acknowledge the macro and geopolitical uncertainty in the markets and believe the probability of a recession in 2023 has increased substantially during the year. We also believe global real estate stocks are oversold and are very attractively valued relative to private market real estate. Real estate stocks offer robust and growing dividend yields, inflation-protected earnings growth, and a history of outperformance during periods of above-average inflation.

Outlook

Given the material rise in Fed Funds and interest rates during 2022, the market is clearly questioning the appropriate discount rate to apply to a capital intensive sector like real estate. With real estate stocks down nearly -22% year-to-date, we believe that real estate securities are very attractively priced relative to the private real estate market, and reasonably priced versus the fixed income market and the broader stock market.

Based on our proprietary valuation dashboard, real estate securities valuations are attractive relative to the private real estate, fixed income, and broader stock markets. As of November 30th, real estate stocks are trading at a discount of 15% to NAV with an implied unleveraged cash flow yield of 6.2%. The forward multiple of global REIT earnings is 15.9x versus the 14.8x Price-to-Earnings ratio of the MSCI World Equity Index.

In the Americas, we are overweight storage, residential, data centers, lodging and industrial. In Japan, we prefer mid-cap diversified and hotel 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 non-discretionary retail. In Australia, we prefer retail, 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 to industrial, storage, 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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