

UBS CBRE Global Property Securities Fund

December 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 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.

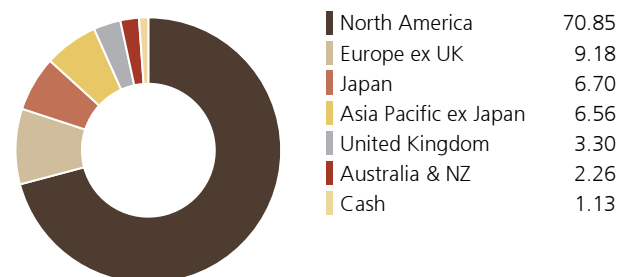
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Prologis, Inc.	United States	6.82
Digital Realty Trust, Inc.	United States	4.28
Equinix, Inc.	United States	4.03
CubeSmart	United States	3.96
Alexandria Real Estate Equities, Inc.	United States	3.71
Simon Property Group, Inc.	United States	3.24
Invitation Homes, Inc.	United States	2.92
Life Storage, Inc.	United States	2.85
Link Real Estate Investment Trust	Hong Kong	2.35
Rexford Industrial Realty, Inc.	United States	2.34
Top 10 Total		36.50

Fund information

Inception date	31 July 2006
Fund size	\$ 320.7m
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	3.32
Life Storage, Inc.	United States	2.26
Digital Realty Trust, Inc.	United States	2.25
Alexandria Real Estate Equities, Inc.	United States	2.04
Invitation Homes, Inc.	United States	1.64

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Public Storage	United States	(3.10)
Realty Income Corporation	United States	(2.81)
VICI Properties Inc	United States	(2.20)
Welltower Inc	United States	(2.19)
AvalonBay Communities, Inc.	United States	(1.60)

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(4.06)	3.44	(26.80)	(2.34)	2.20	4.61
Benchmark**	(3.84)	4.32	(25.94)	(5.68)	(0.33)	3.87
Added Value	(0.22)	(0.88)	(0.86)	3.34	2.53	0.74

* 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 performance

The portfolio modestly underperformed for the month.

Stock selection was flat while sector allocation decisions were modestly negative for the month. The European region was the bright spot for the month as stock selection added value on the Continent and the U.K. In the Americas, an overweight to the underperforming U.S. market was a drag on performance for the month. Meanwhile, performance in the Asia-Pacific region was mixed as positioning in Japan added value but was offset by other markets within the region.

Market performance review

Global real estate stocks were down -3.8% in December.

Towards the end of December, stock market sentiment 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, retreated materially from their high reached in early October. There is an increasing probability that the U.S. Federal Reserve and central banks around the world will begin moderating the pace of future rate hikes as the probability of a recession in 2023 has increased substantially.

With 2022 in the rear view, listed real estate presents a unique opportunity for investors having materially underperformed broad equities, fixed income, and private real estate. Real estate stock absolute and relative underperformance is striking considering their resilient earnings growth versus broad equities, growing dividends versus bonds, and comparable assets to the private real estate market. We believe real estate stocks are oversold and are very attractively valued relative to private market real estate.

Market outlook

We believe the material underperformance of REITS in 2022 has created a unique opportunity and entry point for investors to commit capital to listed real estate in 2023.

The underperformance of REITs in 2022 has created an opportunity for investors. At the beginning of 2023, REITs traded at a ~18% discount to estimates of NAV or intrinsic value—estimates that we have already lowered by ~14% to reflect market conditions and the likelihood of a U.S. recession. Historically, when REIT valuations have hit this discount, investors have benefitted from buying the space. Below, we showcase the returns that real estate has generated following such discounts compared to broad equities and private real estate markets. Active managers can position amidst such dislocations and augment returns for investors.

Interest rates rose materially during 2022, and while 2022 was all about interest rate volatility, we believe 2023 will be about economic volatility, and listed real estate stocks should be well-positioned to outperform during economic uncertainty. Listed real estate is cheap relative to the private real estate market, and reasonably priced versus the fixed income market and the broader stock market. Our 2023 earnings outlook for real estate stocks is +4%, which assumes a moderate recession, and we believe this growth outlook will be superior to broad market earnings growth, where growth expectations has been falling 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. 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 storage, residential, industrial, hotels, and data centers. 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.

Client Services

Telephone: (03) 9046 4041 **Freecall:** 1800 572 018 **Email:** ubs@unitregistry.com.au www.ubs.com/am-australia

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