

# UBS CBRE Global Property Securities Fund

January 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.

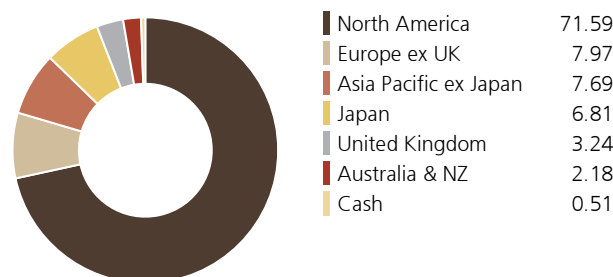
## Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Prologis, Inc.	United States	7.06
Digital Realty Trust, Inc.	United States	4.42
Equinix, Inc.	United States	3.86
Alexandria Real Estate Equities, Inc.	United States	3.70
Simon Property Group, Inc.	United States	3.20
CubeSmart	United States	3.16
Public Storage	United States	3.07
Life Storage, Inc.	United States	2.82
Invitation Homes, Inc.	United States	2.75
Sun Communities, Inc.	United States	2.62
<b>Top 10 Total</b>		<b>36.66</b>

## Fund information

Inception date	31 July 2006
Fund size	\$ 349.2m
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	2.50
Digital Realty Trust, Inc.	United States	2.29
Life Storage, Inc.	United States	2.23
Alexandria Real Estate Equities, Inc.	United States	2.01
Rexford Industrial Realty, Inc.	United States	1.70

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
Realty Income Corporation	United States	(2.75)
Welltower Inc	United States	(2.30)
VICI Properties Inc	United States	(2.13)
AvalonBay Communities, Inc.	United States	(1.60)
Equity Residential	United States	(1.53)

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	9.43	9.40	(14.04)	(0.06)	4.56	5.16
Benchmark**	8.44	9.34	(14.47)	(3.60)	1.82	4.36
<b>Added Value</b>	<b>0.99</b>	<b>0.06</b>	<b>0.43</b>	<b>3.54</b>	<b>2.74</b>	<b>0.80</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 start the year on a strong note, up +8.8%, with all major geographic regions posting positive returns.

In January, global real estate stocks materially outperformed broader market stocks and fixed income as economic data continue to suggest inflation is moderating. Interest rates dropped across the globe, with the 10-year U.S. Treasury yield down -35 bps, ending the month at 3.53%. Given the magnitude of last year's rate hikes, 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 to facilitate a 'soft economic landing'.

Global markets reacted positive to China's decision to relax their pandemic restrictions, effectively re-opening the world's second largest economy. In Europe, stocks rallied on attractive valuations and an improvement in investor sentiment regarding the ongoing conflict in Ukraine and warmer than expected winter that has lessened the demand for energy. In the Americas, economic growth remains positive and wage pressures remain in-check despite robust employment. Companies are beginning to report 4Q earnings and provide 2023 guidance, which will be closely watched by investors over the coming weeks.

## Portfolio performance

The portfolio outperformed the benchmark for the month as stock selection and sector allocation decisions added value.

Relative performance within the Americas region was led by the U.S., where all property sectors posted solid performance for the month. Notable contributors included overweights to the outperforming hotel, industrial and data center sectors, while an underweight to the underperforming net lease sector also added relative value. Stock selection added value in the storage sector, via an overweight to outperforming CubeSmart.

In the Asia-Pacific region, relative performance in Japan was helped by an overweight to Japan Hotel REIT, which drove positive stock selection as hotel stocks were the top performing stocks in Japan. In Australia, stock selection was driven by the outperformance of Goodman Group (industrial), which benefited from continued strong rental growth.

In the European region, relative performance was a drag for the month as positive sector allocation on the Continent was more than offset by sub-par stock selection, which was

primarily due to having below-benchmark exposure to a few German residential stocks that outperformed for the month. In the U.K. relative performance was a modest drag for the month.

## Market outlook

The global macro outlook brightened early in 2023. Headline inflation and bond yields fell worldwide, while peak interest rate expectations softened.

Key points of our 2023 economic outlook:

- We are not underwriting a synchronized global recession.
- In the U.S., the 2023 economic forecast has been revised upward.
- In Europe, a modest winter recession is forecast, followed by a recovery in summer 2023.
- In the Asia-Pacific region, China's faster-than-expected reopening should boost global commodity demand and potentially re-ignite energy inflation in the second half of the year. In Japan, we anticipate modestly higher bond yields and inflation to potentially ignite a long-awaited recovery for this deflation-mired economy.
- We have downgraded our expectations for further rate hikes but do not expect any central bank interest rate cuts until early 2024.

Last year's underperformance has created an opportunity for investors. At the start of this year, REITs traded at an ~18% discount to estimates of NAV or intrinsic value—estimates that we lowered by ~14% to reflect market conditions and the potential for a U.S. recession. Historically, when REIT valuations have traded at material discounts to NAV, investors have benefited from buying the space.

In North America, we are overweight Canadian real estate stocks with an emphasis on residential and retail. In the U.S., we are overweight storage, single-family-for rent, manufactured housing, lab space, hotels, industrial 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 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 retail, industrial, storage, and select diversified companies.

## Client Services

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