UBS

UBS Asset Management
For Professional / Qualified / Institutional Investors only
All data as at 28 February 2023

UBS CBRE Global Property Securities Fund

February 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.

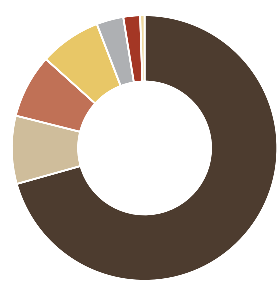
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Prologis, Inc.	United States	7.02
Equinix, Inc.	United States	3.97
Digital Realty Trust, Inc.	United States	3.97
Alexandria Real Estate Equities, Inc.	United States	3.58
CubeSmart	United States	3.50
Simon Property Group, Inc.	United States	3.25
Public Storage	United States	3.17
Sun Communities, Inc.	United States	2.95
Life Storage, Inc.	United States	2.57
Rexford Industrial Realty, Inc.	United States	2.48
Top 10 Total		**36.46**

Fund information

Inception date	31 July 2006
Fund size	$ 325.4m
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 (%)



North America	70.64
Europe ex UK	8.28
Japan	7.75
Asia Pacific ex Japan	7.48
United Kingdom	3.28
Australia & NZ	2.04
Cash	0.53

Top 5 overweight by stocks

Name	Country	Active Weight (%)
CubeSmart	United States	2.78
Alexandria Real Estate Equities, Inc.	United States	1.93
Digital Realty Trust, Inc.	United States	1.92
Life Storage, Inc.	United States	1.88
Sun Communities, Inc.	United States	1.77

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Realty Income Corporation	United States	(2.74)
Welltower Inc.	United States	(2.39)
VICI Properties Inc	United States	(2.20)
AvalonBay Communities, Inc.	United States	(1.65)
Equity Residential	United States	(1.58)

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(3.53)	1.28	(14.31)	1.43	5.04	4.91
Benchmark**	(3.92)	0.19	(15.54)	(2.14)	2.33	4.08
Added Value	**0.39**	**1.09**	**1.23**	**3.57**	**2.71**	**0.83**

* 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

After a strong start to the year, global real estate stocks consolidated gains in February, falling -3.7% for the month, yet remain up +4.8% for the year.

In February, both fixed income and equity markets fell, with global real estate stocks underperforming the broader markets. Similar to the moderate winters materializing in both the Northeastern United States and Continental Europe, economic data released in February was "warmer" than consensus expectations, causing interest rates to rise around the globe, with the bellwether 10-year U.S. Treasury yield rising +39 bps, ending the month at 3.92%, essentially where it began 2023.

During the month, all three regions sold-off in almost a uniform fashion, with the Americas -4.7%, Asia-Pacific -1.2%, and Europe -1.8%. In the U.S., the vast majority of companies reported in-line to better than expected 4Q earnings results and provided 2023 guidance in-line with expectations, with a few sectors like storage and industrial on the high-end of guidance and office coming in below expectations.

Portfolio performance

The portfolio outperformed the benchmark for the month.

Positive relative performance within the Americas region was led by the U.S, with two significant drivers of relative outperformance for the month; an overweight to the outperforming storage sector (+1.7%) and an underweight to the underperforming office sector (-12.6%). Our overweight to the storage sector continues to generate outperformance for the portfolio, as 2023 guidance came in at the high end of the range. In addition, in early February, Public Storage (PSA) made public an unsolicited offer to acquire Life Storage (LSI) in an all-stock deal that represented a +17% premium to LSI's unaffected share price (LSI is a material overweight in the portfolio). As of this writing, based on our discussions with the LSI Management Team, they will sell the company at the "right price," but PSA has yet to offer the "right price." Stay tuned!

In the Asia-Pacific region, underperformance was driven by the overweight of one underperforming stock – LINK REIT (823.HK). LINK REIT was down -15.3% for the month, driven by the extremely surprising news that the company is going to execute an HK$18.8 billion Rights Offering (1 for 5 rights offering at HK$44.20/share; -29.6% discount to the last price). Management believes there will be significant acquisition opportunities as the year progresses, so they want to prepare their "war-chest" now in order to move quickly when the acquisition opportunities arise.

In the European region, relative outperformance was driven by positive stock selection on the Continent. Interestingly, there was no one stock that drove relative outperformance from stock selection for the month, but rather a basket of overweight stocks that outperformed for the month plus not owning underperforming Vonovia (-7.8%; German residential).

Market outlook

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 ~15% over the course of 2022 to reflect market conditions 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 any moderation or pause in Central Bank rate increases should act as a positive catalyst for real estate stocks.

In North America, we are overweight Canadian real estate stocks with an emphasis on residential, industrial, and retail. In the U.S., we are overweight single-family home for rent, storage, malls, 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 and select Japanese REOCs that have committed to improving their corporate governance. 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, as well as attractively priced diversified companies. Within Continental Europe, we have a positive bias to retail, industrial, storage, and select diversified companies.

Client Services

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