

# UBS CBRE Global Property Securities Fund

March 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.

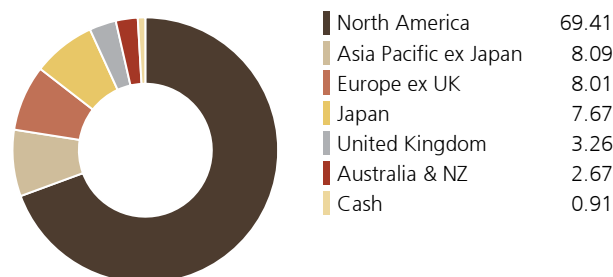
## Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Prologis, Inc.	United States	7.36
Equinix, Inc.	United States	5.38
CubeSmart	United States	3.60
Alexandria Real Estate Equities, Inc.	United States	3.52
Sun Communities, Inc.	United States	3.46
Public Storage	United States	3.42
Simon Property Group, Inc.	United States	3.09
Digital Realty Trust, Inc.	United States	3.00
Life Storage, Inc.	United States	2.85
Rexford Industrial Realty, Inc.	United States	2.68
<b>Top 10 Total</b>		<b>38.36</b>

## Fund information

Inception date	31 July 2006
Fund size	\$ 316.9m
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 5 overweight by stocks

Name	Country	Active Weight (%)
CubeSmart	United States	2.86
Sun Communities, Inc.	United States	2.24
Life Storage, Inc.	United States	2.07
Alexandria Real Estate Equities, Inc.	United States	1.98
Frasers Logistics & Commercial Trust	Singapore	1.89

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
Realty Income Corporation	United States	(2.83)
Welltower Inc.	United States	(2.42)
VICI Properties Inc	United States	(2.33)
AvalonBay Communities, Inc.	United States	(1.67)
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	(3.74)	1.62	(21.37)	8.35	3.78	4.64
Benchmark**	(4.09)	(0.08)	(22.77)	5.59	0.87	3.80
<b>Added Value</b>	<b>0.35</b>	<b>1.70</b>	<b>1.40</b>	<b>2.76</b>	<b>2.91</b>	<b>0.84</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 were down -4.0% in March.

In March, the sudden failures of Silicon Valley Bank and Signature Bank of New York ignited concerns of a regional banking crisis in the U.S. These concerns subsequently shifted to Europe, where the financial health of Credit Suisse was in the crosshairs prior to an engineered merger with UBS. The swift action of the Federal Reserve, the U.S. Treasury Department and other central banks helped to restore confidence in the financial system.

The health of regional banks in the U.S. was the almost singular topic of conversation at the height of the regional banking crisis, and commercial real estate was called out as a potential area of concern. Regional banks represent ~29% of the \$4.5 trillion total commercial real estate debt market. Markets are concerned that conditions may cause a tightening in lending, particularly in secured debt financings. The regional banks are important to smaller private market participants—not REITs. In the current environment, we believe REITs' access to capital is unimpeded and balance sheets are in a position of strength. Over 75% of REIT debt comes from the unsecured market, where companies have completed deals as recently as the last week of March 2023. Several REITs issued unsecured debt in March and Highwoods (an office REIT) issued \$200MM in secured debt financing the last week of March.

The U.S. office sector was also a topic of concern as the ongoing transition to a flexible work environment stemming from the pandemic has resulted in a weakening of demand for office space. The availability of capital to the office sector has dried up, especially in the private markets. The resulting headlines saw a continued sell-off in the U.S. office REITs. The U.S. office sector was down -14.5% in March. The U.S. office sector constitutes less than 3% of the global index and we have been significantly underweighting this sector for the past several years.

## PORTFOLIO PERFORMANCE

The portfolio posted positive relative performance in a down month, led by sector allocation decisions. Relative performance in the Americas region was a drag for the month as positioning in the healthcare and net lease sectors hurt performance, overshadowing strong performance in the storage sector. An underweight to the office sector continues to add value. In the Asia-Pacific region, sector allocation and stock selection decisions benefited performance. Sector allocation was positive in each market within region and stock selection was mixed as Australia and Singapore contributed to performance while Japan and Hong Kong modestly detracted for the month. In the European region, relative outperformance was driven by positive stock selection on the Continent and the U.K., while sector allocation decisions were flat. The portfolio is materially underweight German residential, which was a significant underperformer for the month. Meanwhile, overweight positions in NSI and PSP Swiss Property added value.

## MARKET OUTLOOK

Last year's underperformance 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% during 2022 to reflect market conditions and the potential for a global recession. Global REITs are still trading at a material discount to NAV.

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. 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, industrial, single-family homes for rent, manufactured housing, 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 residential, 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 toward retail, industrial, storage, and select diversified companies.

## Client Services

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