

# UBS CBRE Global Property Securities Fund

October 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	7.44
Digital Realty Trust	United States	4.58
CubeSmart	United States	4.14
Alexandria Real Estate Equities	United States	4.02
Equinix	United States	3.59
Sun Communities	United States	3.18
Camden Property Trust	United States	2.88
Simon Property Group	United States	2.56
Rexford Industrial Realty	United States	2.55
Link Real Estate Investment Trust	Hong Kong	2.31
<b>Top 10 total</b>		<b>37.25</b>

## Fund information

Inception date	31 July 2006
Fund size	\$ 319.3 m
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	3.46
Digital Realty Trust	United States	2.50
Alexandria Real Estate Equities	United States	2.31
Camden Property Trust	United States	2.01
Sun Communities	United States	1.99

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
Public Storage	United States	-3.52
VICI Properties	United States	-2.24
Welltower	United States	-2.06
AvalonBay Communities	United States	-1.78
Equity Residential	United States	-1.70

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	3.46	(14.44)	(22.44)	(2.37)	3.10	4.66
Benchmark**	3.46	(14.68)	(22.65)	(6.39)	0.24	3.85
<b>Added Value</b>	<b>0.00</b>	<b>0.24</b>	<b>0.21</b>	<b>4.02</b>	<b>2.86</b>	<b>0.81</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.

## Portfolio review

The portfolio performed in line with the benchmark for the month.

Within the Americas region, positive property sector allocation was more than offset by negative stock selection. The portfolio benefited from an overweight to the outperforming lodging and industrial sectors. The lodging sector was up 21% for the month, benefiting from demand recovering from depressed pandemic levels, increasing dividends, and heavily discounted share prices. More than offsetting these positive sector contributors to performance was negative stock selection, particularly within the storage sector as some of our key storage positions took a pause after some solid outperformance in prior months.

In the Asia-Pacific region, relative outperformance was driven by strong stock selection within Australia and Japan, partially offset by positioning within Hong Kong. In Japan, our stock selection in J-REITs drove relative outperformance as our holding Japan Hotel REIT (+9%) performed well. Hong Kong positioning lagged the benchmark for the month over renewed concerns about China's zero COVID policies and, as a result, two of our larger positions (Link REIT and Hang Lung Properties) underperformed.

The European region snapped back in October after a very difficult third quarter. Relative outperformance was driven by strong stock selection within Continental Europe as retail holdings Klepierre, LEG Immobilien, and Merlin Properties generated positive performance for the month.

## Market review

Global real estate stocks rose +3.4% in October following a difficult September. Market sentiment turned more constructive as the 3Q U.S. advance GDP release surpassed expectations, economic reports showed inflation may be moderating as well as hope the Fed and central banks may start to slow the pace of future rate hikes.

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.

## 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 -25% 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. The earnings outlook for real estate stocks is strong and is superior to broad market earnings, where growth is moderating significantly.

At October 31, real estate stocks were trading at a discount of 19% to NAV with an implied unleveraged cash flow yield of 6.3%. The forward multiple of global REIT earnings is 14.0x versus the 14.9x Price-to-Earnings ratio of the MSCI World Equity Index. Given the earnings growth outlook for global real estate stocks compared with the materially decelerating growth expected in broad equities, we believe the global REIT earnings multiple should trade at a premium.

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/retail bias. 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, residential and select retail companies.

## Client Services

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

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