

# UBS CBRE Property Securities Fund

August 2023

## Fund description

The Fund is an actively managed fund investing in a portfolio of 15 – 25 mainly Australian property and property related 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 sector allocation with bottom-up individual stock selection.

Top-down sector 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.

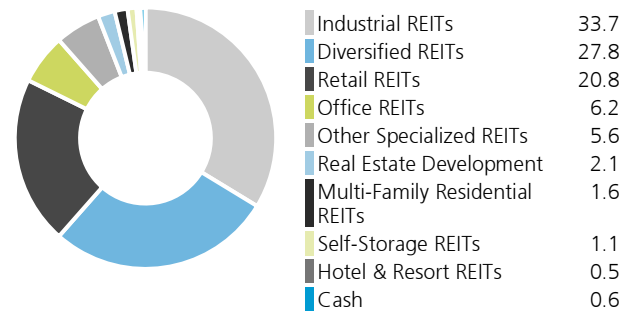
## Investment objective

The Fund aims to outperform (after management costs) the S&P/ASX 300 Property Accumulation Index over rolling three year periods.

## Fund information

Inception date	1 February 1993
Fund size	\$ 301.1m
Management fee	0.85% pa
Minimum initial investment	\$ 50,000
Distributions	Quarterly
Buy/sell spread	+/- 0.25%
Currency management	Unhedged
APIR code	SBC0816AU

## Investment portfolio (%)



## Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	33.70
Scentre Group	Australia	13.15
Stockland	Australia	10.25
Mirvac Group	Australia	9.75
Dexus	Australia	5.16
Vicinity Centres	Australia	4.27
GPT Group	Australia	3.97
Charter Hall Group	Australia	3.80
HMC Capital Limited	Australia	2.85
Rural Funds Group	Australia	2.83
<b>Top 10 Total</b>		<b>89.73</b>

## Top 5 overweight by stocks

Name	Country	Active Weight (%)
Goodman Group	Australia	3.23
Stockland	Australia	2.53
Mirvac Group	Australia	2.48
Scentre Group	Australia	2.27
Rural Funds Group	Australia	2.20

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
National Storage REIT	Australia	(2.17)
GPT Group	Australia	(2.16)
Region Group	Australia	(1.89)
Charter Hall Long WALE REIT	Australia	(1.76)
HomeCo Daily Needs REIT	Australia	(1.45)

## Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	4.00	8.97	6.92	(3.29)	8.50	6.61	7.61
Benchmark**	2.18	6.05	5.93	(2.64)	7.69	4.39	7.93
<b>Added Value</b>	<b>1.82</b>	<b>2.92</b>	<b>0.99</b>	<b>(0.65)</b>	<b>0.81</b>	<b>2.22</b>	<b>(0.32)</b>

\* Inception date: 1 February 1993.

\*\* S&P/ASX 300 Property Accumulation Index. Prior to 1 June 2012, the benchmark was 85% S&P/ASX 300 Property Accumulation Index, 15% EPRA NAREIT developed index (hedged in AUD).

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.

## Fund performance

The Fund returned +4.00% during August, outperforming the S&P/ASX 300 AREIT Index by 1.82%.

The top monthly contributor to performance was the Fund's overweight position in Goodman Group. The industrial fund manager outperformed following the release of its FY23 earnings result, in which they announced a significant data centre development opportunity. We continue to be attracted to Goodman Group for its sustainable earnings growth, underpinned by strong underlying fundamentals in the industrial sector and a sizeable development pipeline.

The Fund's underweight position in Charter Hall Long WALE REIT also contributed to monthly performance, which underperformed after forward earnings guidance fell short of market expectations. The Fund maintains an underweight position in the REIT due to its stretched balance sheet position, tight capitalisation rates, and continued headwinds from rising cost of debt.

The largest detractor from monthly performance was the Fund's overweight position in Abacus Property Group. Abacus underperformed post the de-staple of its self-storage assets into a separate REIT. We believe the Group's core commercial portfolio is trading significantly below intrinsic value with a recapitalised balance sheet.

## Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) increased by +2.2% in August, outperforming the broader S&P/ASX 300, which returned -0.8%.

August was dominated by reporting season, where numerous REITs guided to a decline in FY24 earnings driven by rising debt costs. REITs that demonstrated an ability to outgrow higher interest costs typically outperformed during the month.

The industrial sector continued to demonstrate strong rental growth, underpinned by favourable supply/demand dynamics. Income growth offset capitalisation rate expansion to keep portfolio valuations broadly stable.

Retail names reported resilient tenant sales, however guided to a moderation in FY24 driven by falling consumer confidence. Asset valuation declines were largely offset by income growth, underpinned by inflation-linked rental escalators.

The office sector remains out of favour, with landlords continuing to experience elevated vacancies and incentive levels. Capitalisation rate expansion drove portfolio devaluations of up to 8%.

Residential developers guided to higher lot settlements in FY24 and reported improving enquiry and sales levels in the final quarter of FY23. Construction costs have plateaued, however remain elevated.

Funds management activity remains subdued, however, there are still positive fund flows for preferred subsectors, such as healthcare and industrial. Managers expect capital flows will resume once interest rates stabilise and transaction evidence emerges.

## Market outlook

A continuing theme facing markets is higher interest rates and inflation. Real estate securities provide a strong hedge in an inflationary environment, given many lease structures typically benefit from either fixed or inflation linked reviews. Our proprietary analysis suggests over the past twenty years, Australian REITs have outperformed broader Australian equities during periods of above-average inflation.

A-REITs are well-positioned with defensive valuations and growth outlook. The Fund is maintaining a relatively balanced exposure to value and growth-orientated names.

Positioning is towards companies with balance sheet capacity, quality assets and aligned management teams, whilst also selectively exposed to several deeper value real estate securities which are expected to benefit from the economic recovery. The Fund is strategically positioned to take advantage of attractive long-dated structural themes such as industrial, residential, agriculture, and childcare.

Compelling valuation support has emerged with the sector trading at an 11% discount to net asset value. Balance sheets are healthy with moderate gearing levels. As market volatility persists, we anticipate the Australian REIT sector's resilient cash flows will be highly sought after.

## Client Services

[www.ubs.com/am-australia](http://www.ubs.com/am-australia)

Telephone: (03) 9046 4041

Freecall: 1800 572 018

Email: [ubs@unitregistry.com.au](mailto:ubs@unitregistry.com.au)

Any financial product advice in this document is general advice only and has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS AG or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer and responsible entity of the Funds. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Fund including the details of the management fee received by the responsible entity are contained in the Product Disclosure Statement (PDS) dated 26 September 2021. The responsible entity has also issued a target market determination (TMD) that describes the class of consumers that comprises the target market for the Fund and matters relevant to its distribution and review. A copy of the PDS (including the PDS additional information booklet) and TMD are available on our website at <https://www.ubs.com/au/en/asset-management.html> or by calling (03) 9046 4041 or 1800 572 018.

The PDS and application form is only available to persons receiving it (electronically or otherwise) while physically in Australia, unless expressly authorised by us in writing. The offer does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. The Fund (or the PDS) has not been registered under the laws of any jurisdiction outside Australia. The Fund may not be offered or sold in the United States of America or to 'U.S. Persons' (as defined in 'Regulation S' of the Securities Act of 1933, as amended).

This document may not be reproduced or copies circulated without prior written authority from UBS Asset Management (Australia) Ltd.

CBRE Investment Management (CBRE) is the portfolio manager of the Fund and receives a fee that is paid from the fee received by the responsible entity and described in the PDS. Investment opinions expressed in this document represent the opinions of CBRE which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as investment advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While CBRE believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

Past performance of various investment strategies, sectors, vehicles and indices are not indicative of future results. Investing in infrastructure securities involves risk including potential loss of principal. Infrastructure equities are subject to risks similar to those associated with the direct ownership of infrastructure assets. Portfolios concentrated in infrastructure securities may experience price volatility and other risks associated with non-diversification. While equities may offer the potential for greater long-term growth than some debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. There is no guarantee that risk can be managed successfully. There are no assurances performance will match or outperform any particular benchmark. Indices are unmanaged and not available for direct investment.

