

UBS CBRE Property Securities Fund

January 2022

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.

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.

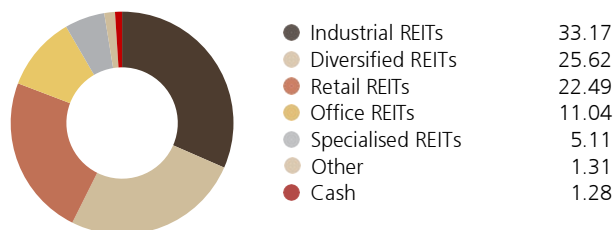
Investment return objective

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	\$ 331.8m
Management fee	0.85% pa
Minimum initial investment	\$50,000
Typical number of holdings	15 to 25
Distributions	Quarterly
Buy/sell spread	+/- 0.25%
APIR code	SBC0816AU

Investment portfolio (%)



Active security positions

Overweight	Underweight
Dexus	GPT Group
Shopping Centres Australasia Property Group	Vicinity Centres
Charter Hall Group	Stockland
Rural Funds Group	Charter Hall Long WALE REIT
Dexus Industria REIT	National Storage REIT

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(10.25)	(1.95)	20.32	10.95	11.23	8.14
Benchmark**	(9.45)	(0.93)	19.91	7.62	8.78	8.49
Added Value	(0.80)	(1.02)	0.41	3.33	2.45	(0.35)

*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.

Portfolio review

The Fund delivered a -10.25% return during January, underperforming the S&P/ASX 300 AREIT Index by -0.8%. During December, the main contributors to relative performance were the Fund's overweight positions in SCA Property Group and Vicinity Centres, which benefited from positive December portfolio revaluations. Detractors to performance came from overweight positions in fund managers Charter Hall Group and Home Consortium, which sold off due to rising bond yields and their higher relative earnings growth sensitivity.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) declined by -9.5% in January, underperforming the broader S&P/ASX 300 which returned -6.5%. This sharp monthly decline was a result of macroeconomic headwinds, as market participants brought forward expectations of rising interest rates and bond yields. Despite the market selloff, underlying property fundamentals are supportive and improving, with strong earnings outlook and valuation support emerging.

During the month, Centuria Capital Group (overweight) upgraded earnings guidance and reported a strong uplift in assets under management in excess of \$20bn. The business is witnessing strong momentum across its acquisition and development activities, as well as positive revaluations are crystallising performance fees. Similarly, Charter Hall Group continued its acquisitive streak by launching a takeover offer for Irongate Group. The all-cash proposal was made in partnership with Dutch pension fund PGGM at a +27% premium to the prevailing share price. This continued global pension capital appetite for core real estate serves to underpin current sector pricing and valuation.

Notable transactions during the month included the 50% acquisition of Darling Quarter, Sydney by Allianz Real Estate and the National Pension Service of Korea for \$630m, reflecting a record yield for prime commercial office. Centuria Industrial REIT announced the acquisition of six-high quality assets in urban, infill markets for \$132m, reflecting an initial yield of 4.0%. Furthermore, the AREIT sector witnessed additional positive revaluation gains reported by Hotel Property Investments and Waypoint REIT during the month. This combination of firming revaluation and transaction evidence serves to reinforce the AREIT sector's attractive pricing when compared to direct, physical market activity.

Market Outlook

Despite the broader market selloff witnessed in January, AREITs remains well-positioned with improving fundamentals and an attractive growth outlook. Dividends are secure and growing, underpinned by stable cash flows, long leases, conservative capital structures and low interest costs. Compelling valuation support has emerged and is reinforced by direct transactional activity, with the sector trading at a 9% discount to net asset value.

The Fund is maintaining a 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 will benefit from the economic recovery. The Fund is strategically positioned to take advantage of attractive long-dated structural themes such as industrial, essential services, agriculture and childcare. Similarly, the Team maintains a preference towards pure-play fund managers, with market fears overdone concerning their ability to benefit from rising asset values and elevated transactional activity.

Looking forward, February will be dominated by reporting season, providing insights into how fundamentals have fared during the recent surge in coronavirus cases. We anticipate rental growth will continue to support valuation gains in the industrial sub-sector, with potential for further tightening in yields on strong demand dynamics. The retail sector has previously recovered strongly as restrictions ease, whilst household balance sheets are healthy and consumer confidence is improving. Capital demand is strong within commercial office, attracted to the sector's resilience and strong levels of cash collection. Office tenant demand is active, as evidenced by positive quarterly net absorption, a contraction in sublease availability and plateauing incentives. As market volatility persists, we anticipate the defensive nature of the Australian REIT sector's resilient cash flows will continue to be highly sought after.

Client Services

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

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 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 of the Fund. 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 are contained in the Product Disclosure Statement dated 30 November 2020. The PDS is available from our website www.ubs.com/am-am-pds or by calling (03) 9046 4041.

The PDS for this fund is only available to persons receiving the PDS (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. This 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 authority from UBS Asset Management (Australia) Ltd.

©2022 CBRE Investment Management (CBRE). All rights reserved. The views expressed 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.

