

UBS CBRE Property Securities Fund

May 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.

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 return objective

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

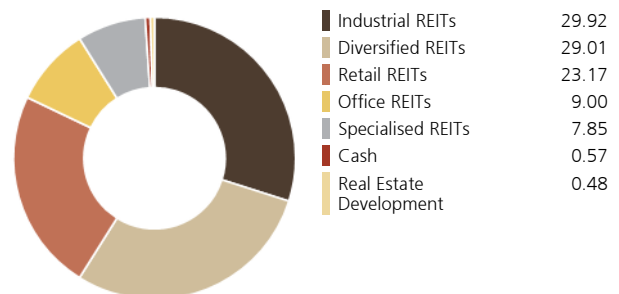
Active security positions

Overweight	Underweight
Scentre Group	Vicinity Centres
Rural Funds Group	Stockland
GPT Group	Charter Hall Long WALE REIT
HomeCo Daily Needs REIT	Charter Hall Retail REIT
Charter Hall Group	BWP Trust

Fund information

Inception date	4 August 2016
Fund size	\$ 300.4 m
Management fee	0.85% pa
Minimum initial investment	\$50,000
Distributions	Quarterly
Buy/sell spread	+/- 0.20%
Currency management	Hedged
APIR code	UBS0064AU
Inception date	4 August 2016

Investment portfolio (%)



Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(8.11)	(5.87)	4.04	5.46	8.28	7.85
Benchmark**	(8.55)	(6.59)	4.58	3.09	6.30	8.20
Added Value	0.44	0.72	(0.54)	2.37	1.98	(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 performance

The Fund delivered a -8.0% return during May, outperforming the S&P/ASX 300 AREIT Index by +0.6%.

During the month, the main contributor to relative performance was the Fund's overweight position in Rural Funds Group, which benefits from its uncorrelated asset returns versus traditional equities and its inflation hedge characteristics. The Fund's overweight position in SCA Property Group was again a top contributor to relative performance, with supermarket inflation capturing turnover rent and increased institutional interest driving valuation support in the convenience retail sector.

Detractors to performance included the Fund's underweight position in Vicinity Centres, which reported a positive quarterly update highlighting a continued recovery across visitation, sales and rent collections. The Fund's overweight position in Charter Hall also detracted from relative performance, due to market concerns over the Group's outlook for transactional activity and investor fund flows.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) decreased by -8.6% in May, underperforming the broader S&P/ASX 300 which returned -2.8%.

Market sentiment was heavily impacted in May, following the RBA's first cash rate hike since 2010 and rising inflation expectations. Defensive REITs with resilient income streams outperformed during the month, whilst growth-exposed fund managers witnessed earnings multiple de-ratings.

In contrast to the share market volatility, Goodman Group upgraded its full year earnings guidance to +23% and reported strong operating metrics and rental growth across all operating regions. The Group's development workbook currently exceeds \$13bn across 89 projects and total assets under management are expected to surpass \$70bn by the June financial year end. Goodman Group is protected from rising interest rates by low gearing and high levels of hedging across its underlying funds.

A number of large cap discretionary retail REITs reported quarterly updates during the month, retaining earnings guidance and demonstrating improving leasing outcomes, retail sales and rental cash collections. Additionally, GPT Group confirmed it was approached by UniSuper to transition management of a \$2.8bn portfolio of assets from AMP Capital.

During the month, Australian Unity received a non-binding, cash offer from Aliro Group to acquire all outstanding units in the Australian Unity Office Fund for \$2.45 per security, representing a minor discount to pro-forma book value. The Group has been exploring strategies to realise value including asset divestments or a portfolio sale via corporate transaction. An independent committee has announced its intention to recommend the proposal and the largest shareholder supports the deal, absent a superior proposal emerging.

Market outlook

Rising inflation and bond yields continue to capture the market's focus, following last month's 21-year high CPI print of 5.1%. Listed real estate is generally well-hedged against rising rates via fixed debt and contracted annual rent escalations.

Despite the recent share market volatility, commercial real estate fundamentals continue to improve as mobility restrictions end and trading conditions normalise. Dividends are secure and growing, underpinned by stable cash flows, long leases and conservative capital structures.

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. The Fund is strategically positioned to take advantage of attractive long-dated structural themes such as industrial, essential services, agriculture and childcare, whilst it is also selectively exposed to several deeper value real estate securities which will benefit from the economic recovery.

Compelling valuation support has emerged and is reinforced by direct transaction evidence, with the sector trading at a 15% discount to net asset value. As market volatility persists and bond yields stabilise, we anticipate the defensive nature of the Australian REIT sector's resilient cash flows will continue to be highly sought after.

Client Services

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