

UBS CBRE Property Securities Fund

July 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.

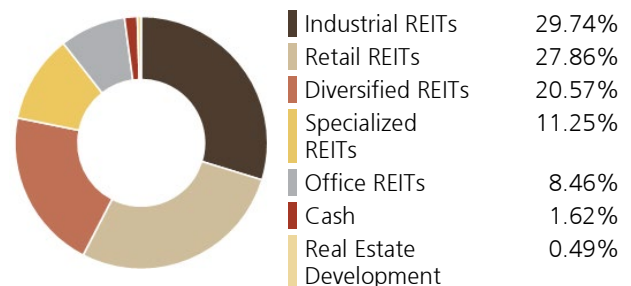
Active security positions

Overweight	Underweight
Goodman Group	Stockland
Scentre Group	GPT Group
Rural Funds Group	Charter Hall Long WALE REIT
HomeCo Daily Needs REIT	Charter Hall Retail REIT
Charter Hall Social Infrastructure REIT	BWP Trust

Fund information

Inception date	4 August 2016
Fund size	\$ 285.3 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	11.78	(8.98)	(4.06)	2.55	9.10	7.77
Benchmark**	11.78	(8.40)	(1.23)	0.89	7.35	8.16
Added Value	0.00	(0.58)	(2.83)	1.66	1.75	(0.39)

*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 an +11.78% return during July, in line with the S&P/ASX 300 AREIT Accumulation Index return of +11.78%.

During the month, the main contributor to relative performance was the Fund's underweight position in Stockland, which is leveraged to a slowing residential housing market and will become a taxpayer from next year onwards. The Fund also benefited from an overweight position in Goodman Group, following the market's rotation into growth names as bond yields moderated.

Detractors to performance included the Fund's overweight position in HomeCo Daily Needs REIT, which underperformed as a low beta name with resilient earnings. The Fund's overweight position in Dexus also detracted from relative performance, following the loss of management rights to Collimate Capital's \$7.7bn AMP Capital Wholesale Office Fund.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) increased by +11.8% in July, substantially outperforming the broader S&P/ASX 300 which returned +6.0%.

The strong monthly performance was broad-based, with all ASX200 REITs posting positive gains, with growth-orientated names outperforming peers. Market sentiment was buoyed by a sharp pullback in long term bond yields, providing confidence in funding markets, underlying asset pricing and sector valuations.

July's listed market performance was supported by significant private transactions, including Charter Hall's \$1bn acquisition of a 50% interest in Melbourne's Southern Cross Towers, as well as Lend Lease acquiring the One Circular Quay development in Sydney for \$800m in partnership with Mitsubishi Estate.

During the month, National Storage REIT upgraded its full year earnings guidance to +24% following strong gains to both occupancy and the average rental rate across its portfolio. We believe there is more scope for continued top-line growth for the Group, underpinned by supportive structural demand drivers and conservative asset valuations.

Following a unit holder meeting in mid-July, Mirvac announced that it will replace Collimate Capital as manager of the \$7.7bn AMP Capital Wholesale Office Fund. This coup grows Mirvac's externally managed funds platform to \$18bn and introduces a future capital partner to invest in Mirvac's substantial commercial development pipeline.

Towards the end of the month, Stockland reiterated earnings guidance at the top end of its prior range and confirmed that the Group will return to an income tax paying position from FY23, following the sale of its retirement business to EQT Infrastructure. It is expected the impact from tax payable in FY23 will be in the range of 5-10% of Group earnings.

Market outlook

During July, equity markets pared back recent losses in response to normalising bond yields and declining interest rate expectations. Despite the RBA increasing its peak inflation forecast to 7.75% over the course of this calendar year, listed real estate is generally well-hedged against rising rates via fixed debt and contracted annual rent escalations.

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, resilient portfolios with pricing power 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 transactional evidence, with the sector trading at a 10% discount to net asset value. As market volatility persists and recessionary risks increase, 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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