

UBS CBRE Property Securities Fund

September 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.

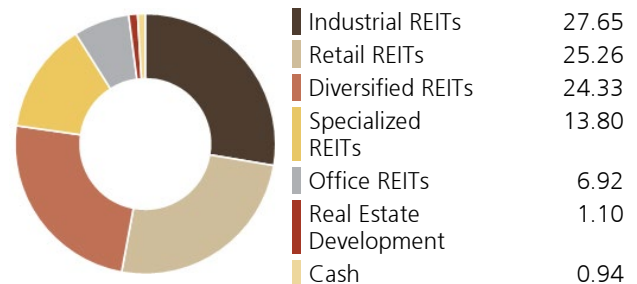
Top 10 positions by stock

| Name | Country | Portfolio Weight (%) |
|-----------------------|-----------|----------------------|
| Goodman Group | Australia | 27.65 |
| Scentre Group | Australia | 15.38 |
| Mirvac Group | Australia | 8.93 |
| Vicinity Centres | Australia | 8.03 |
| Charter Hall Group | Australia | 7.46 |
| Dexus | Australia | 6.92 |
| GPT Group | Australia | 4.59 |
| National Storage REIT | Australia | 4.39 |
| Rural Funds Group | Australia | 3.99 |
| Arena REIT | Australia | 3.62 |
| Total | | 90.96 |

Fund information

| | |
|----------------------------|-----------------|
| Inception date | 1 February 1993 |
| Fund size | \$ 246.8 m |
| Management fee | 0.85% pa |
| Minimum initial investment | \$50,000 |
| Distributions | Quarterly |
| Buy/sell spread | +/- 0.20% |
| Currency management | Unhedged |
| APIR code | UBS0064AU |
| Inception date | 1 February 1993 |

Investment portfolio (%)



Top 5 overweight by stocks

| Name | Country | Active Weight (%) |
|--------------------|-----------|-------------------|
| Goodman Group | Australia | 3.53 |
| Scentre Group | Australia | 3.53 |
| Rural Funds Group | Australia | 3.20 |
| Arena REIT | Australia | 2.58 |
| Charter Hall Group | Australia | 2.58 |

Top 5 underweight by stocks

| Name | Country | Active Weight (%) |
|-----------------------------|-----------|-------------------|
| Stockland | Australia | -4.61 |
| Charter Hall Long WALE REIT | Australia | -2.32 |
| GPT Group | Australia | -2.01 |
| Charter Hall Retail REIT | Australia | -1.71 |
| BWP Trust | Australia | -1.60 |

Investment performance

| Fund | 1 month % | 3 months % | 1 year % | 3 years % pa | 5 years % pa | Since inception* % pa |
|--------------------|---------------|---------------|---------------|--------------|--------------|-----------------------|
| Total return | (14.41) | (7.40) | (23.47) | (3.25) | 4.72 | 7.04 |
| Benchmark** | (13.56) | (6.89) | (21.13) | (4.61) | 3.07 | 7.45 |
| Added Value | (0.85) | (0.51) | (2.34) | 1.36 | 1.65 | (0.41) |

*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 declined by -14.41% during September, underperforming the S&P/ASX 300 AREIT Index by -0.85%. During the month, one of the top contributors to performance was the Fund's overweight position in Peet, which is benefiting from a ramp up in residential project production amid constrained land supply and is supported by an active share buyback. The Fund also benefited from an overweight position in National Storage REIT, which is demonstrating strong underlying momentum, characterised by pricing power and improving operating leverage. Monthly detractors to performance included the Fund's overweight position in Goodman Group, which reacted to negative updates by FedEx and Amazon as key global tenants. We continue to believe investment and tenant demand remains strong and the outlook for global rental growth is highly attractive. The Fund's overweight position in Arena REIT also detracted from performance, which de-rated despite the high-quality nature of its portfolio, management and lease structure.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) declined by -13.6% in September, underperforming the broader S&P/ASX 300 which declined by -6.3%. Global central bank policies continue to drive market outcomes, with strong local inflation prints and the subsequent acceleration of interest rate rises weighing on overall sentiment. The sector sell-off has been broad-based, with growth-exposed names underperforming peers.

During the month, investors in the \$2.7bn AMP Capital Retail Trust voted to transition management to GPT. This is the third mandate loss for the Collimate platform. Dexis is acquiring from AMP Capital. The total assets under management to be acquired will reduce to \$17.5bn and the acquisition price will reduce to \$275m. Separately, Centuria announced the acquisition of Allendale Square, where the asset will form part of a new unlisted fund in partnership with MA Financial. The asset transacted at a 7.25% capitalisation rate, which reflects 50 basis points of yield expansion versus the June book value carried at 6.75%.

Macroeconomic data releases presented mixed outcomes during the month, whereby retail sales growth was very strong and continues to demonstrate resilience to rate rises and cost of living pressures. Consumer savings rates are elevated, and the labour market is exceptionally tight. In contrast, the residential market is responding to higher interest rates, recording the fourth consecutive monthly decline in national house prices.

The downturn is accelerating and becoming more geographically broad-based. We anticipate residential prices and sales volumes will remain under pressure until interest rates stabilize.

Market outlook

A continuing theme facing markets is rising rates and inflation. Unlike bonds, real estate securities act as a strong hedge in a rising inflation environment, given many lease structures have 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 improving fundamentals and a defensive 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 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.

Compelling valuation support has emerged following the recent market pull-back, with the sector trading at an 26% discount to net asset value. Balance sheets are healthy with moderate gearing levels, reinforced by supportive transactional evidence. As market volatility persists, we anticipate the Australian REIT sector's resilient cash flows will be highly sought after.

Client Services

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