

UBS CBRE Property Securities Fund

October 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.

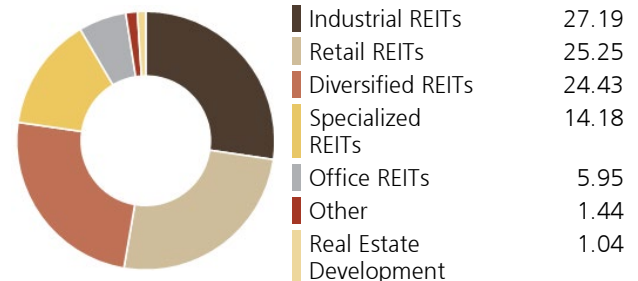
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	27.19%
Scentre Group	Australia	15.82%
Mirvac Group	Australia	8.68%
Vicinity Centres	Australia	8.21%
Charter Hall Group	Australia	7.67%
Dexus	Australia	5.95%
GPT Group	Australia	4.71%
National Storage REIT	Australia	4.69%
Rural Funds Group	Australia	4.06%
Arena REIT	Australia	3.90%
Top 10 total		90.90

Fund information

Inception date	1 February 1993
Fund size	\$ 263.5m
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	3.54
Scentre Group	Australia	3.50
Rural Funds Group	Australia	3.26
Arena REIT	Australia	2.78
Charter Hall Group	Australia	2.67

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Stockland	Australia	-4.61
Charter Hall Long WALE REIT	Australia	-2.32
GPT Group	Australia	-2.04
Charter Hall Retail REIT	Australia	-1.70
HomeCo Daily Needs REIT	Australia	-1.62

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	10.25	(8.66)	(15.81)	(0.58)	6.16	7.37
Benchmark**	9.87	(8.48)	(13.86)	(2.02)	4.57	7.76
Added Value	0.38	(0.18)	(1.95)	1.44	1.59	(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 a 10.25% return during October, outperforming the S&P/ASX 300 AREIT Accumulation Index return of 9.87%.

During the month, the main contributor to relative performance was the Fund's overweight position in Arena REIT. The childcare landlord benefits from inflation-linked triple net leases acting as a strong inflation hedge. We continue to believe the Group is well placed to deliver ongoing earnings growth, underpinned by a supportive regulatory environment. The Fund also benefited from an overweight position in National Storage REIT. The storage asset portfolio has performed well due to short duration leases and strong rental growth.

Detractors to performance included the Fund's underweight position in Centuria Industrial REIT which reported strong underlying market fundamentals; however, the Group's earnings continue to be impacted by rising funding costs and low interest rate hedging. The Fund's underweight position in fuel and convenience landlord, Waypoint REIT, also detracted from performance, which continues to be supported by an active share buyback.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) increased by +9.9% in October, outperforming the broader S&P/ASX 300 which returned +6.0%.

October was dominated by quarterly operating updates, where operating fundamentals continued to remain supportive, and earnings guidance was reiterated across the sector.

Retail names reported solid underlying metrics and tenant sales above pre-pandemic levels. Re-leasing spreads improved for all retail names and portfolio valuations were resilient. Non-discretionary retail landlords demonstrated ongoing strength in operating metrics led by supermarket tenants.

The logistics sector continues to benefit from elevated occupier demand, with record low levels of vacancy driving sustained rental growth in all national markets.

The office sector continues to face structural headwinds to growth. Leasing activity is subdued as tenants continue to delay decision-making, whilst vacancy and incentives remain elevated in the key Sydney and Melbourne markets. Across the office sector, asset sales are required to pursue substantial development projects, however, transactional momentum has stalled due to rapid interest rate rises.

Residential businesses reported weak sales, whilst enquiry levels have significantly declined in response to rising interest rates. Wet weather continues to threaten project delivery. We believe the challenging environment will persist until the interest rate environment stabilises.

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, land lease communities, agriculture, and childcare.

Compelling valuation support has emerged with the sector trading at an 18% 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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