UBS

UBS Asset Management
For Professional / Qualified / Institutional Investors only
All data as at 31 January 2023

UBS CBRE Property Securities Fund

January 2023

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 objective

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

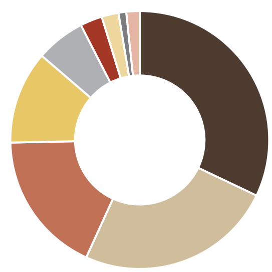
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	29.22
Scentre Group	Australia	13.88
Mirvac Group	Australia	9.16
Dexus	Australia	6.16
Charter Hall Group	Australia	5.96
Stockland	Australia	4.66
National Storage REIT	Australia	3.97
Arena REIT	Australia	3.96
Rural Funds Group	Australia	3.72
Vicinity Centres	Australia	3.38
Top 10 Total		**84.07**

Fund information

Inception date	1 February 1993
Fund size	$ 300.0m
Management fee	0.85% pa
Minimum initial investment	$ 50,000
Distributions	Quarterly
Buy/sell spread	+/- 0.20%
Currency management	Unhedged
APIR code	UBS0064AU

Investment portfolio (%)



Industrial REITs	32.10
Diversified REITs	24.69
Retail REITs	17.89
Specialized REITs	11.65
Office REITs	6.16
Residential REITs	2.76
Real Estate Development	2.11
Hotel & Resort REITs	0.97
Cash	1.67

Top 5 overweight by stocks

Name	Country	Active Weight (%)
Goodman Group	Australia	3.38
Rural Funds Group	Australia	2.99
Arena REIT	Australia	2.98
Mirvac Group	Australia	2.39
National Storage REIT	Australia	2.09

Top 5 underweight by stocks

Name	Country	Active Weight (%)
GPT Group	Australia	(3.58)
Vicinity Centres	Australia	(2.65)
Stockland	Australia	(2.43)
Region Group	Australia	(2.31)
Charter Hall Long WALE REIT	Australia	(2.24)

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	7.94	8.93	(6.47)	0.58	7.67	7.62
Benchmark**	8.07	9.73	(4.59)	(0.28)	6.11	8.03
Added Value	**(0.13)**	**(0.80)**	**(1.88)**	**0.86**	**1.56**	**(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 delivered a strong 7.94% monthly gain during January, largely in line with the S&P/ASX 300 AREIT Accumulation Index return of 8.07%.

During the month, the main contributors to relative performance included the Fund's underweight position in Region Group, which lagged the market as a defensive non-discretionary retail exposure. The Fund also benefited from an overweight position in Goodman Group, which re-rated sharply during January and is benefiting from continued strong rental growth outcomes with an enviable global development pipeline.

Detractors to performance included the Fund's overweight position in National Storage REIT. The storage asset owner underperformed the market as the share price consolidated after recent gains. We continue to believe the REIT will outperform in the medium term, benefiting from short duration lease terms allowing for capture of positive rental reversion. The Fund's overweight position in Arena REIT also detracted from performance, despite the childcare operator benefiting from a high proportion of inflation-linked triple net leases. We continue to believe the Group is well placed to deliver ongoing earnings growth, underpinned by a supportive regulatory environment.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) increased by +8.1% in January, outperforming the broader S&P/ASX 300 which returned +6.3%.

The strong market rally was driven by increased confidence that the interest rate outlook has moderated, and inflation appears to have peaked. Bonds yields traded approximately 50 basis points lower during January, driving a re-rate in the sector. In aggregate, fund managers and deeply discounted diversified names outperformed defensive convenience retail and long WALE groups.

Ahead of next month's reporting season, several REITs pre-released December valuations, which largely held firm due to a lack of transactional evidence. Industrial values are currently being supported by exceptionally strong market rental growth and retail names are benefiting from the continued strong tenant sales environment. Conversely, office fundamentals remain weak and market vacancy deteriorated over the December quarter.

During the month, Vicinity Centres appointed Peter Huddle as the new CEO, after joining in March 2019 as Chief Operating Officer. Dexus also provided an update on its Collimate Capital transaction, whereby the transaction close has been extended by a month. As a result, the transaction price has been reduced by $25m to $225m and the remaining potential earn-out paid to Collimate Capital will now be forfeited.

Market outlook

A continuing theme facing markets is higher inflation and interest rates. 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 a 10% discount to net asset value. Balance sheets are healthy with moderate gearing levels. 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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