

UBS CBRE Property Securities Fund

September 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.

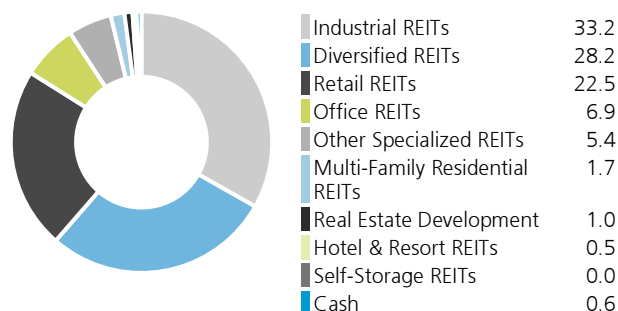
Investment objective

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

Fund information

Inception date	1 February 1993
Fund size	\$ 270.1m
Management fee	0.85% pa
Minimum initial investment	\$ 50,000
Distributions	Quarterly
Buy/sell spread	+/- 0.25%
Currency management	Unhedged
APIR code	SBC0816AU

Investment portfolio (%)



Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	33.19
Scentre Group	Australia	13.46
Stockland	Australia	10.99
Mirvac Group	Australia	8.62
Dexus	Australia	5.45
GPT Group	Australia	4.91
Vicinity Centres	Australia	4.34
Charter Hall Group	Australia	3.73
HMC Capital Limited	Australia	2.80
Arena REIT	Australia	2.77
Top 10 Total		90.26

Top 5 overweight by stocks

Name	Country	Active Weight (%)
Stockland	Australia	3.29
Scentre Group	Australia	2.96
Goodman Group	Australia	2.96
Rural Funds Group	Australia	2.03
HMC Capital Limited	Australia	1.86

Top 5 underweight by stocks

Name	Country	Active Weight (%)
National Storage REIT	Australia	(2.25)
Charter Hall Long WALE REIT	Australia	(1.76)
HomeCo Daily Needs REIT	Australia	(1.69)
Charter Hall Retail REIT	Australia	(1.34)
BWP Trust	Australia	(1.33)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	(9.16)	(1.69)	13.48	(6.81)	5.22	4.87	7.25
Benchmark**	(8.66)	(3.04)	11.94	(6.04)	4.89	2.83	7.59
Added Value	(0.50)	1.35	1.54	(0.77)	0.33	2.04	(0.34)

* 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.

Fund performance

The Fund returned -9.16% during September, underperforming the S&P/ASX 300 AREIT Index by -0.50%.

The top monthly contributor to performance was the Fund's underweight position in Cromwell Property Group. Cromwell is seeking to address its elevated gearing position by rebasing its dividend and divesting a portfolio of high-yielding Polish retail assets, however, transaction execution remains challenging.

The Fund's overweight position in Stockland also contributed to monthly performance. The Group is positively leveraged to a recovery in housing markets, whereby national dwelling prices rose for the sixth consecutive month. Stockland is also defensively positioned with a strong balance sheet to withstand rising interest rates.

The main detractor from monthly performance was the Fund's overweight position in Rural Funds Group. The Group is currently undertaking productivity upgrades across cattle and cropping properties, whilst also pursuing a major macadamia development program. Capital intensive business models underperformed during September, with market sentiment shifting to a 'higher for longer' interest rate outlook.

The Fund's underweight position in Centuria Industrial REIT also detracted from monthly performance. The Group is benefiting from strong operational performance and rental reversion in its under-rented investment portfolio. Despite resilient industrial fundamentals, underlying earnings growth is elusive due to a long lease profile and an inability to catch the cycle.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) decreased by -8.7% in September, underperforming the broader S&P/ASX 300 Index which returned -2.9%.

Global bond yields were a major driver of market weakness during September, due to persistent global inflation and hawkish comments from central banks. This contrasts with the Australian market, where the RBA currently sees inflation normalising over their forecast period. Nevertheless, Australian ten-year bond yields rose to their highest level since 2011.

During September, HMC Capital announced the first close of its \$1.3bn Healthcare and Lifesciences unlisted real estate fund, securing commitments from three major global institutional investors, as well as a fourth investor currently undertaking advanced due diligence. The Fund will initially own a portfolio of seven acute care hospitals leased to Healthscope. Similarly, Centuria Capital Group secured a \$500m institutional investment mandate, focused on acquiring industrial assets within supply-constrained infill markets.

Several staff appointments were also made during the month. GPT Group announced that Russell Proutt, Charter Hall CFO, would replace outgoing Bob Johnston as the new CEO. Approximately one week later, Charter Hall announced that Anastasia Clarke, GPT Group CFO, would replace Russell Proutt as their new CFO. As a result, GPT Group will now initiate a process to appoint a new CFO. Separate to the moving chairs between GPT Group and Charter Hall, Region Group announced the resignation of Mark Fleming, previously CFO for nine years from 2013 before transitioning to Chief Operating Officer over the last year.

Market outlook

A continuing theme facing markets is rising interest rates and inflation. Real estate securities provide a strong hedge in an inflationary environment given many lease structures typically benefit from either 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 defensive valuations and growth outlook. 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, whilst also selectively exposed to several deeper value real estate securities which are expected to benefit from the economic recovery. The Fund is strategically positioned to take advantage of attractive long-dated structural themes such as residential, industrial, 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. As market volatility persists, we anticipate the Australian REIT sector's resilient cash flows will be highly sought after.

Client Services

www.ubs.com/am-australia

Telephone: (03) 9046 4041

Freecall: 1800 572 018

Email: ubs@unitregistry.com.au

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