

UBS CBRE Property Securities Fund

February 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.

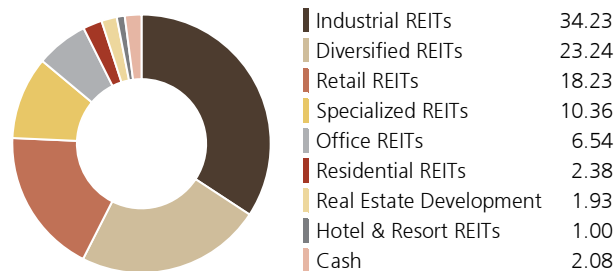
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	29.57
Scentre Group	Australia	13.65
Mirvac Group	Australia	9.44
Dexus	Australia	6.54
Charter Hall Group	Australia	5.62
Stockland	Australia	5.29
Centuria Industrial REIT	Australia	4.66
Arena REIT	Australia	4.13
Vicinity Centres	Australia	3.94
Rural Funds Group	Australia	3.23
Top 10 Total		86.07

Fund information

Inception date	1 February 1993
Fund size	\$ 292.1m
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 (%)



Top 5 overweight by stocks

Name	Country	Active Weight (%)
Goodman Group	Australia	3.65
Centuria Industrial REIT	Australia	3.30
Arena REIT	Australia	3.10
Mirvac Group	Australia	2.61
Rural Funds Group	Australia	2.60

Top 5 underweight by stocks

Name	Country	Active Weight (%)
GPT Group	Australia	(4.00)
Charter Hall Long WALE REIT	Australia	(2.28)
Region Group	Australia	(2.20)
Vicinity Centres	Australia	(2.08)
Stockland	Australia	(1.70)

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(0.74)	1.98	(7.93)	1.54	8.22	7.57
Benchmark**	(0.36)	3.34	(6.38)	1.20	6.71	8.00
Added Value	(0.38)	(1.36)	(1.55)	0.34	1.51	(0.43)

* 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 returned -0.74% during February, marginally underperforming the S&P/ASX 300 AREIT Accumulation Index return of -0.36%.

The main contributors to relative performance included the Fund's overweight position in National Storage REIT, which upgraded earnings guidance on the back of resilient customer demand and robust rate growth across its portfolio. The Fund also benefited from an overweight position in Arena REIT, which similarly outperformed market expectations and demonstrated resilient childcare fundamentals with strong inflation-capture in its rental contracts and improving development returns.

Detractors to performance included the Fund's overweight position in Rural Funds Group, which is currently ramping up its development program and faced minor earnings impacts from commodity price volatility in its operating assets and adverse weather. The Fund's overweight position in Ingenia Communities Group also detracted from performance, which downgraded its residential settlement guidance, citing delays due to labour constraints and weather impacting construction timeframes. Looking beyond the current reporting period, we believe Ingenia will continue to benefit from the structural drivers underpinning the lifestyle communities sector, such as an aging population supported by government rent assistance.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) decreased by -0.4% in February, outperforming the broader S&P/ASX 300 which returned -2.5%.

February was dominated by reporting season, where most groups reiterated earnings guidance and reported resilient operating metrics. Asset valuations were largely stable and whilst we expect to see further softening in yields over the remainder of the year, we believe this is currently priced into market valuations, which are heavily discounting the impact of rising interest rates.

Key themes included the industrial sector demonstrating very strong rental growth, underpinned by favourable demand/supply dynamics. Retail names outperformed market expectations and reported robust operational metrics with sequential improvements in occupancy and tenant sales. Office landlords reported better leasing outcomes than feared, however, market vacancy is elevated, and incentives remain under pressure. Residential developers reported weak sales in a challenging operating environment, whilst similarly faced production challenges such as labour and weather.

Fund manager activity remains subdued, which likely requires a stabilisation in the interest rate environment and transaction evidence to emerge before capital flows resume.

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 an 9% 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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