

UBS CBRE Property Securities Fund

March 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.

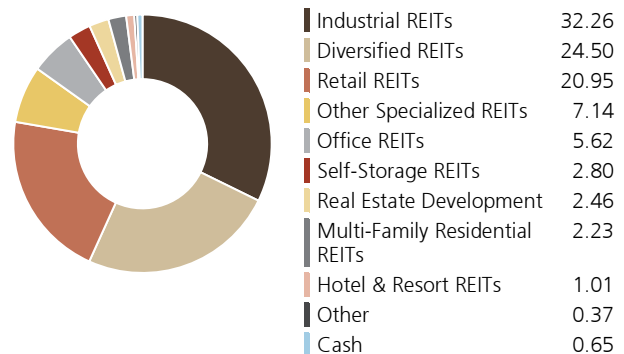
Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	29.46
Scentre Group	Australia	14.22
Mirvac Group	Australia	8.82
Stockland	Australia	8.81
Dexus	Australia	5.62
Vicinity Centres	Australia	5.43
Arena REIT	Australia	4.17
Charter Hall Group	Australia	3.18
Rural Funds Group	Australia	2.97
National Storage REIT	Australia	2.80
Top 10 Total		85.48

Fund information

Inception date	1 February 1993
Fund size	\$ 277.1m
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	3.15
Arena REIT	Australia	3.13
Scentre Group	Australia	2.54
Rural Funds Group	Australia	2.34
Mirvac Group	Australia	2.10

Top 5 underweight by stocks

Name	Country	Active Weight (%)
GPT Group	Australia	(4.09)
Charter Hall Long WALE REIT	Australia	(2.23)
Region Group	Australia	(2.21)
Charter Hall Retail REIT	Australia	(1.59)
BWP Trust	Australia	(1.49)

Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(6.59)	0.07	(15.60)	13.99	6.86	7.30
Benchmark**	(6.84)	0.32	(14.02)	14.20	5.19	7.72
Added Value	0.25	(0.25)	(1.58)	(0.21)	1.67	(0.42)

* 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 -6.59% during March, outperforming the S&P/ASX 300 AREIT Index by 0.25%.

During the month, the top contributor to performance was the Fund's underweight position in GPT Group, which retracted -10% as the market assessed tightening credit conditions and the impact to office valuations. These similar concerns weighed on the performance of listed fund managers, whereby interest rate volatility continued to suppress transactional activity. To this extent, the Fund's underweight positions in both HMC Capital and Centuria Capital Group contributed to monthly relative performance. In what was a challenging month for absolute returns, the Fund's overweight position in Peet Limited positively contributed on the back of improving residential momentum and a moderation in the cash rate outlook.

The month's outperformers were typically real estate securities with low leverage, against a backdrop of mounting credit concerns. As such, the Fund's underweight positions in BWP Trust and Waypoint REIT were the biggest detractors to relative performance, given their defensive portfolios and capital structures.

Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) decreased by -6.8% in March, underperforming the broader S&P/ASX 300 which only marginally decreased by -0.2%.

During March, the listed real estate market was impacted by concerns around the cost and availability of credit, following offshore banking developments. Negative returns were widespread across the sector, with fund managers and office landlords the most impacted. Conversely, alternative sectors with low levels of gearing outperformed.

Equity capital issuance resumed during the month via two acquisitive transactions. National Storage REIT announced a \$300m equity raise, providing balance sheet capacity to fund its committed pipeline of development and acquisition opportunities. Secondly, HMC Capital together with its HealthCo Healthcare & Wellness REIT collectively raised \$475m to acquire eleven primary care hospitals operated by Healthscope for \$1.2bn.

Also announced during the month, Dexis finalised binding documentation to acquire the \$18bn Collimate Capital real estate and domestic infrastructure equity business from AMP. The final \$225m purchase price includes a \$50m deferred consideration, at-risk and subject to AMP divesting its ownership interest in the China Life AMP Asset Management business.

Market outlook

A continuing theme facing markets is rising rates and inflation. Real estate securities provide a strong hedge in a rising inflation environment given lease structures typically benefit from either CPI or fixed increases. 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. The Fund is strategically positioned to take advantage of attractive long-dated structural themes such as industrial, residential, agriculture, and childcare.

Compelling valuation support has emerged with the sector trading at an 17% 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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