

# UBS CBRE Property Securities Fund

May 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.

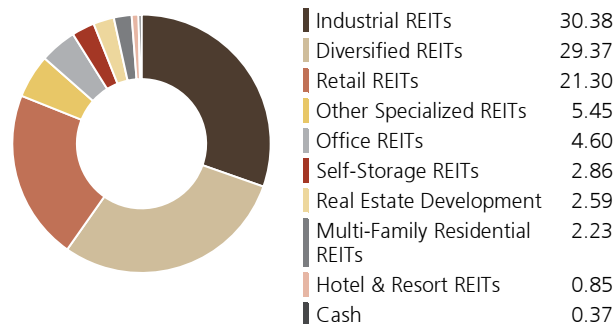
## Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Goodman Group	Australia	30.38
Scentre Group	Australia	13.55
Stockland	Australia	10.52
Mirvac Group	Australia	9.77
Vicinity Centres	Australia	4.98
Dexus	Australia	4.60
GPT Group	Australia	3.71
Charter Hall Group	Australia	3.03
Arena REIT	Australia	2.92
National Storage REIT	Australia	2.86
<b>Top 10 Total</b>		<b>86.32</b>

## Fund information

Inception date	1 February 1993
Fund size	\$ 285.7m
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	3.76
Mirvac Group	Australia	2.58
Stockland	Australia	2.46
Scentre Group	Australia	2.40
Rural Funds Group	Australia	1.98

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
GPT Group	Australia	(2.66)
Dexus	Australia	(2.40)
Region Group	Australia	(2.29)
Charter Hall Long WALE REIT	Australia	(2.22)
Charter Hall Retail REIT	Australia	(1.53)

## Investment performance

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	(2.28)	(3.83)	(5.93)	8.00	6.03	7.37
Benchmark**	(1.81)	(3.81)	(3.59)	8.11	4.37	7.79
<b>Added Value</b>	<b>(0.47)</b>	<b>(0.02)</b>	<b>(2.34)</b>	<b>(0.11)</b>	<b>1.66</b>	<b>(0.42)</b>

\* 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 -2.28% during May, underperforming the S&P/ASX 300 AREIT Accumulation Index return of -1.81%.

The Fund's overweight position in HMC Capital Limited was the strongest contributor to monthly performance. The fund manager outperformed following the acquisition of a \$1.2bn Healthscope hospital portfolio and the concurrent launch of its unlisted healthcare strategy. The deal increases the Group's total assets under management to \$7.5bn and demonstrates an ability to execute large complex transactions in challenging capital market conditions.

The Fund's overweight position in Goodman Group also contributed to performance after the Group raised earnings guidance during the month. Goodman Group remains a key overweight holding with exposure to world class industrial assets and significant balance sheet capacity to execute on its sizeable development pipeline.

Detractors to performance included the Fund's overweight position in Lifestyle Communities. The manufactured housing estate developer underperformed after lowering its FY23 home settlement forecasts. The Group's medium term settlement targets were retained, suggesting the timing issue is not reflective of production constraints or lower buyer demand. Lifestyle is significantly scaling its production rate with the launch of seven new projects, underpinned by strong demographic tailwinds.

The Fund's overweight position in Rural Funds Group also detracted from performance. The Group is currently deploying capital across cattle and cropping productivity upgrades, whilst also pursuing a major macadamia development program. The market remains cautious towards capital expenditure intensive business models; however, we are comfortable that the Group has sufficient liquidity to execute its growth strategy. We continue to be attracted to the uncorrelated cash flows with strong and appreciating asset backing.

## Market review

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) decreased by -1.8% in May, outperforming the broader S&P/ASX 300 which returned -2.5%.

A-REITs fell in May, retracting April's gains following the RBA's cash rate increase to 3.85%. The rate rise was the eleventh since May 2022 and followed a pause in April. As a result, residential developers underperformed during the month, despite rebounding house prices and supportive underlying fundamentals. Further impacting the residential sector, the Victorian State government announced a temporary levy on landowners and builders, which is expected to increase the cost of ownership and constrain household budgets. To this extent, discretionary mall landlords also underperformed during the month, magnified by the Victorian budget and its introduction of additional taxes, providing a headwind to consumer spending. Conversely, the Federal budget was released during the month, with significant cost of living measures announced, as well as increases to the childcare subsidy and tax breaks for foreign investors in the nascent build-to-rent sector.

Numerous Groups reported quarterly updates during May. Office metrics showed resilience despite sector headwinds, reporting stable occupancy and accelerating flight-to-quality trends. Retail sales growth remained healthy and leasing spreads continued to improve, despite fears of a consumer slowdown. Industrial leasing conditions are exceptionally tight with continued strong rental growth, underpinned by favourable demand/supply dynamics.

## 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, residential, land lease communities, agriculture, and childcare.

Compelling valuation support has emerged with the sector trading at a 13% 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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