

# UBS CBRE Property Securities Fund

July 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.

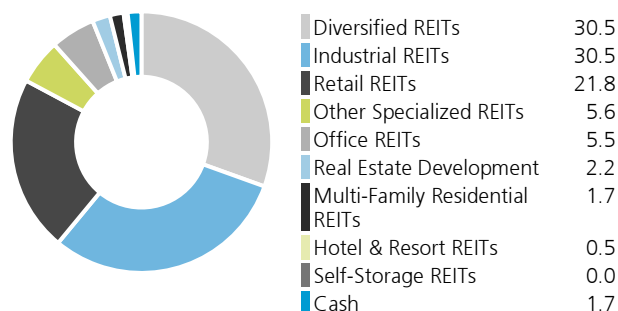
## Investment objective

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	\$ 290.2m
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	30.50
Scentre Group	Australia	13.64
Stockland	Australia	10.30
Mirvac Group	Australia	9.90
Dexus	Australia	5.48
Vicinity Centres	Australia	4.89
Charter Hall Group	Australia	3.97
GPT Group	Australia	3.93
Arena REIT	Australia	2.90
Rural Funds Group	Australia	2.72
<b>Top 10 Total</b>		<b>88.23</b>

## Top 5 overweight by stocks

Name	Country	Active Weight (%)
Goodman Group	Australia	3.28
Mirvac Group	Australia	2.75
Stockland	Australia	2.50
Scentre Group	Australia	2.35
Lifestyle Communities Ltd	Australia	2.21

## Top 5 underweight by stocks

Name	Country	Active Weight (%)
GPT Group	Australia	(2.50)
National Storage REIT	Australia	(2.20)
Region Group	Australia	(2.15)
Charter Hall Long WALE REIT	Australia	(2.07)
Charter Hall Retail REIT	Australia	(1.50)

## Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	4.06	2.39	(0.49)	(2.29)	10.01	6.35	7.49
Benchmark**	3.89	1.91	(0.10)	(0.66)	9.68	4.48	7.88
<b>Added Value</b>	<b>0.17</b>	<b>0.48</b>	<b>(0.39)</b>	<b>(1.63)</b>	<b>0.33</b>	<b>1.87</b>	<b>(0.39)</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.

## Fund performance

The Fund returned +4.06% during July, outperforming the S&P/ASX 300 AREIT Index by 0.17%.

The top monthly contributor to performance was the Fund's overweight position in Rural Funds Group. The Group is currently pursuing a major macadamia development program, as well as deploying capital across cattle and cropping productivity upgrades. We continue to be attracted to the uncorrelated cash flows with strong and appreciating asset backing.

The Fund's overweight position in Lifestyle Communities also contributed to monthly performance. Lifestyle Communities is significantly scaling its production rate with the launch of seven new projects, underpinned by strong demographic tailwinds. The manufactured housing estate developer outperformed following the RBA's decision to pause its rate hiking cycle.

The main detractor from monthly performance was the Fund's overweight position in Abacus Property Group. The self-storage sector exhibited softening fundamentals, with lower occupancy levels due to a weaker consumer environment. Abacus is in the process of demerging its commercial and storage portfolios to unlock securityholder value and enhance the strategic outlook of the standalone storage business.

## Market review

The Australian REIT market (S&P/ASX 300 A-REIT Index) increased by +3.9% in July, outperforming the broader S&P/ASX 300 which returned +2.9%.

During July, the A-REIT sector traded positively following the RBA decision to pause its interest rate hiking cycle. The residential sector was a key beneficiary and outperformed during the month, supported by a continuing recovery in residential prices and improving transactional volumes.

Ahead of the FY23 reporting season in August, preliminary revaluations have been pre-announced across the sector. Commercial office valuations have faced the most pressure, whilst income growth has offset the valuation impact within childcare, storage, and industrial sectors. Several market transactions are currently in due diligence, which we expect will provide critical price discovery that reinforces the A-REIT sector's attractive valuation discount.

Unlisted fund liquidity has been a key focus, given the challenging capital markets environment. We believe capping redemptions is a sensible response from unlisted fund managers to preserve capital, albeit this may constrain incremental capital raising activity.

## Market outlook

A continuing theme facing markets is higher 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 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 are expected to benefit from the economic recovery. 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 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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