

UBS CBRE Global Property Securities Fund

May 2024

Fund description

The Fund is an actively managed fund investing in a portfolio of 60–90 global real estate 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 region and sector allocation with bottom-up individual stock selection. Top-down sector and regional 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.

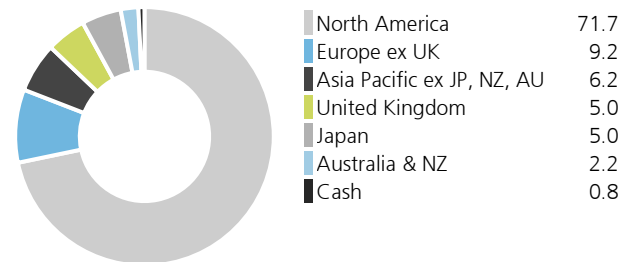
Investment objective

The Fund aims to outperform (after management costs) the FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) over rolling three year periods.

Fund information

Inception date	31 July 2006
Fund size	\$ 262.4m
Management fee	0.90% pa
Minimum initial investment	\$ 50,000
Distributions	Semi-annually
Typical number of holdings	60 to 90
Buy/sell spread	+/- 0.25%
Currency management	Hedged
APIR code	HML0016AU

Investment portfolio (%)



Top 10 positions by stock

Name	Country	Portfolio Weight (%)
Realty Income Corporation	United States	7.06
Public Storage	United States	6.51
Simon Property Group, Inc.	United States	5.60
Equinix, Inc.	United States	5.48
Prologis, Inc.	United States	3.78
Welltower Inc.	United States	3.76
Rexford Industrial Realty, Inc.	United States	3.65
Unibail-Rodamco-Westfield SE	France	2.74
Invitation Homes, Inc.	United States	2.72
Sun Communities, Inc.	United States	2.58
Top 10 Total		43.87

Top 5 overweight by stocks

Name	Country	Active Weight (%)
Realty Income Corporation	United States	3.99
Public Storage	United States	3.53
Rexford Industrial Realty, Inc.	United States	2.99
Simon Property Group, Inc.	United States	2.18
Unibail-Rodamco-Westfield SE	France	2.11

Top 5 underweight by stocks

Name	Country	Active Weight (%)
Prologis, Inc.	United States	(3.31)
Digital Realty Trust, Inc.	United States	(3.16)
Extra Space Storage Inc.	United States	(2.10)
AvalonBay Communities, Inc.	United States	(1.90)
Equity Residential	United States	(1.69)

Investment performance

	1 month %	3 months %	1 year %	2 years % pa	3 years % pa	5 years % pa	Since inception* % pa
Total return	3.47	0.44	7.67	(4.65)	(2.34)	1.79	4.63
Benchmark**	3.50	0.39	5.66	(6.22)	(4.48)	(1.39)	3.74
Added Value	(0.03)	0.05	2.01	1.57	2.14	3.18	0.89

* Inception date: 31 July 2006.

** With effect 1 April 2012, the Responsible Entity changed the benchmark from the UBS Global Real Estate Investors ex Australia Net Total Return Index (AUD Hedged) to UBS Global Real Estate Investors Net Return Index (AUD Hedged). With effect 2 March 2015, the Responsible Entity changed the benchmark to FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged). June 2023 benchmark performance was refreshed. The update has been reflected in the corresponding performance periods.

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.

Market review

Global real estate stocks recouped approximately half of last month's drawdown as investors became more constructive on the sector as property fundamentals remain resilient, economic data remain positive, inflation appears to be moderating in most markets and interest rates moved modestly lower. It was a relatively quiet month, following the completion of a strong 1Q earnings season and several M&A announcements. European stocks were the best performers, rallying on expectations the ECB will cut rates at their meeting on June 6. Meanwhile, Japanese property stocks lagged on expectations the BOJ will soon hike rates.

North America

Performance in the Americas region was positive as returns were positive across most property types.

The healthcare and industrial sectors were the best performing sectors for the month, with the industrial sector benefiting from news that Amazon is increasing their footprint in several markets.

The mall, data center and storage sectors also outperformed for the month; meanwhile, the hotel and office sectors underperformed.

Asia-Pacific

The Asia-Pacific region was the notable underperformer as results were mixed within the region, Australia delivered the best performance, while Japan underperformed.

The Australian market benefited from government policy announcements targeting affordable housing, infrastructure improvements and tax relief.

Hong Kong returns were negative despite accommodative policy announcements at both the governmental and provincial levels to benefit the residential property market.

Europe

The region was the top performer in May as investors are expecting the ECB to cut rates at their June meeting. Separately, the Bank of England will not consider a rate cut until later in 2024, given budgetary constraints.

Stock performance on the Continent was largely positive, with companies in the Nordics posting strong results as well as German residential names. These companies typically finance their operations with floating rate debt and will be the primary beneficiaries of a rate cut.

U.K. property companies rallied in May as most property stocks posted a positive total return for the month.

Performance review

The portfolio slightly outperformed the benchmark for the month. On a relative basis, sector allocation was a detractor, which was more than offset by positive stock selection. Portfolio positioning in Europe added value but was offset by sub-par positioning in the Asia Pacific region.

Americas

Relative performance in the Americas was neutral, with positive stock selection offset by negative sector allocation. In the U.S., underweight positioning in the underperforming residential and office sectors were the top contributors to relative performance while positioning in the net lease and healthcare sectors were the largest from relative performance.

Asia-Pacific

Relative performance in Asia-Pacific was negative for the month as unfavorable stock selection dragged overall performance. Positioning in Hong Kong was the largest detractor to relative performance due to an overweight to underperforming retail-oriented landlords Swire Properties and Wharf REIC. Meanwhile, positioning in Australia was a positive contributor to relative performance as positive stock selection in outperforming HMC Capital (Fund Manager) added to returns.

Europe

Relative performance in Europe was positive for the month with strong stock selection on the Continent partially offset by sub-par stock selection in the U.K. Sector allocation modestly contributed in the region. Top performing names included Catena (Swedish logistics), Mercialis and Unibail-Rodamco-Westfield (both retail).

Market outlook

We believe a new cycle for listed real estate began in the fourth quarter of 2023 and the asset class is poised to outperform broad equities, bonds and private real estate.

Historically attractive valuations

- With the end of the Fed hiking cycle signaled in Q4 2023, we believe the listed markets should benefit; they have the potential to outperform broad equities, private real estate, and fixed income.
- We estimate that REITs are trading at a double-digit discount to our assessment of private market values
- REITs rarely trade at such a wide discount to the private markets
- These indications have typically preceded periods of strong returns

Fundamentals remain solid

- High occupancies, long-duration leases and staggered lease terms support earnings stability
- Higher construction costs support a healthy supply vs. demand dynamic
- Balance sheets and leverage levels for the public companies are in a position of strength relative to history
- We project earnings growth of 2% and dividend growth of 4% in 2024; earnings growth can accelerate to over 5% in 2025

Headline risk versus reality

- Historically, REITs have performed well during periods of extended higher-for-longer interest rates
- As private market asset owners manage the upcoming wall of debt maturities, we expect REITs to benefit from external growth opportunities that are accretive to earnings
- Despite tighter lending standards overall, REITs have demonstrated access to capital not available to private real estate investors
- Accretive acquisitions have increased as REITs have access to capital as well as a cost of capital advantage compared with private market investors
- The office sector accounts for less than 5% of the global REIT investment universe

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