

Portfolio report

UBS CBRE Property Securities Fund

Australia Equity

Client report from 01.04.2024 to 30.06.2024



Performance Comments

The Fund returned -5.52% during the June quarter, outperforming the S&P/ASX 300 AREIT Index by 0.14%.

The largest contributor to quarterly performance was the Fund's underweight position in Vicinity Centres. Discretionary retail fundamentals are moderating, whilst Vicinity faces earnings headwinds from lost rent during the major redevelopment of its Chatswood Chase asset.

The Fund's overweight position in HMC Capital also contributed to quarterly performance. The fund manager announced the acquisition of a \$1.5bn AUM private credit platform funded through a \$130m oversubscribed equity raise. HMC also upgraded its FY24 earnings guidance due to strong performance in its Capital Partners Fund.

The largest detractor from quarterly performance was the Fund's overweight position in Mirvac Group. Subdued residential conditions continue to weigh on performance, however, earnings risks were mitigated via the successful sell-down of a key Sydney commercial development project to Mitsui Fudosan.

The Fund's overweight position in Lifestyle Communities also detracted from quarterly performance. The land lease community developer downgraded its settlement guidance citing elevated time on the market for customers selling their homes. Following an equity raise in the prior quarter, Lifestyle Communities has acquired additional land sites from distressed vendors, which we believe represents a step change for Lifestyle's growth outlook to scale its operating model and annuity.

After fees and expenses, the portfolio decreased by 5.52% over the quarter, outperforming its benchmark.

% Return (Net)	Fund¹	Benchmark*	Difference
3 months	(5.52)	(5.66)	0.14
1 years	28.20	23.79	4.41
3 years	6.00	5.71	0.29
5 years	6.29	4.63	1.66
Calendar Year to Date	11.33	9.59	1.74
Since inception (02/93)	7.98	8.24	(0.26)

¹Performance figures are net of ongoing fees and expenses.

* S&P/ASX 300 Property Accumulation Index

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.

Source: UBS Asset Management. These figures refer to the past. Past performance is not a reliable indicator of future results.

Stock Contributors & Detractors (%)

Company name	Return	Contribution	Over / underweight
Vicinity Centres	(13.15)	0.28	UW
Goodman Group	3.23	0.21	OW
Hmc Capital Ltd	0.28	0.18	OW
Charter Hall Long Wale	(13.24)	0.12	UW
Centuria Industria	(13.86)	0.10	UW
Total of top 5 Contributors		0.89	
Scentre Group Limited	(7.97)	(0.17)	OW
Lifestyle Communities L	(20.68)	(0.21)	OW
Stockland	(10.62)	(0.28)	OW
Unibail-Rodamco-Westfie	(1.55)	(0.32)	UW
Mirvac Group	(18.14)	(0.39)	OW
Total of top 5 Detractors		(1.37)	

Note: Position at quarter-end, which may be different to the position during the quarter.

Portfolio Positioning

Active Positions by Stock (%)

Top 5 Overweights		Top 5 Underweights	
Goodman	39.73	GPT	(21.11)
Scentre	14.84	Stockland	(18.57)
Dexus	5.30	Mirvac	(15.40)
HMC Capital	4.64	Charter Hall	(11.82)
Ingenia Communities	3.80	Charter Hall Long Wale REIT	(6.28)

Note: Position at quarter-end, which may be different to the position during the quarter.

Market Review

The Australian REIT market (S&P/ASX 300 A-REIT index) returned 0.2% in June, underperforming the broader equity market which returned 0.9%(S&P/ASX 300 Index). Resilient domestic bond yields driven by persistent inflation prints contributed to market weakness, with cyclical exposures underperforming.

Numerous A-REITs released preliminary June half valuations during the month with a range of outcomes. The office sector, which faces structural headwinds, experienced valuation declines of up to -11% supported by recent market transactions. Valuation outcomes were positive for sectors underpinned by resilient demand drivers, such as convenience retail, industrial and childcare.

Third-party capital remains attracted to high-quality development products, with Mirvac and National Storage REIT separately announcing joint ventures during the month, improving capital efficiency and unlocking development profits.

Outlook & Strategy

REITs are well-positioned with conservative gearing and hedging levels. The Fund is maintaining a balanced exposure to value and growth-orientated names. Positioning is towards companies with quality assets, aligned management teams, and earnings growth underpinned by attractive supply/demand imbalances. The Fund is selectively positioned to several deeper value real estate securities which are expected to benefit from interest rate moderation. The Fund is strategically positioned to take advantage of subsectors experiencing attractive long-dated structural themes such as residential, industrial, agriculture, and childcare.

Real estate securities perform strongly in a stabilised or falling rate environment, with resilient cash flows and cost of capital advantages to pursue accretive growth opportunities. As we enter a new interest rate cycle, we anticipate the Australian REIT sector will benefit from a recovery in transaction volumes and accelerating earnings growth.

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