UBS

Portfolio report

UBS CBRE Global Property Securities Fund
Global Equity REITs
Client report from 01.04.2024 to 30.06.2024

Performance comments

After fees and expenses, the portfolio returned -2.67% over the quarter, underperforming its benchmark.

% Return (Net)	Fund[1]	Benchmark*	Difference
3 months	(2.67)	(1.56)	(1.11)
1 years	4.57	3.59	0.98
3 years	(3.20)	(4.81)	1.61
5 years	1.57	(1.32)	2.89
Calendar Year to Date	(3.47)	(3.03)	(0.44)
Since inception (07/06)	4.60	3.77	0.83

[1] Performance figures are net of ongoing fees and expenses.

* The benchmark changed from UBS Global Real Estate Investors Net Return Index (AUD hedged) to FTSE EPRA/NAREIT Developed Rental Net Return Index (AUD Hedged) effective 2-Mar-2015 open of business.

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.

The portfolio underperformed the benchmark for the quarter, primarily due to stock selection and sector allocation decisions in the U.S. This more than offset the impact of positive positioning in the European region. The portfolio continues to outperform the benchmark year-to-date.

Americas

Positioning in the U.S. accounted for most of the quarter's relative underperformance, with stock selection and sector allocation each detracting from returns. An underweight to the outperforming residential sector accounted for most of the relative underperformance from a sector allocation perspective, negating the benefit of an underweight to the underperforming industrial sector. Good stock selection in the hotel sector was more than offset by the underperformance of portfolio holdings in the data center and healthcare sectors.

Asia-Pacific

Relative performance in the Asia-Pacific region was negative as stock selection detracted from returns. Positioning in Hong Kong was a drag on relative performance as stock selection and sector allocation each detracted from returns as the region, and our holdings, were underperformers.

Europe

Positive stock selection on the Continent was partially offset by sub-par stock selection in the U.K. during the quarter. Top performing names included Pandox (Swedish hotels), TAG Immobilien (German residential), Klepierre, Mercialys and Unibail-Rodamco-Westfield (all three are French retail).

Stock Contributors & Detractors (%)

Company name	Return	Contribution	Over / underweight
Prologis	(15.02)	0.30	UW
Welltower	9.66	0.26	UW
Apartment Income Reit	17.57	0.22	UW
Elme Communities	13.13	0.13	OW
Healthpeak Properties I	3.73	0.11	OW
Total of top 5 Contributors		**1.02**	
Equity Residential	7.33	(0.20)	UW
Digital Realty Trust	3.96	(0.24)	UW
Ventas	15.01	(0.25)	UW
Avalonbay Communities	9.81	(0.27)	UW
Rexford Indl Realty	(12.59)	(0.28)	OW
Total of top 5 detractors		**(1.24)**	

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	
Public Storage	4.01%	Prologis	-3.94%
Realty Income Corporation	3.88%	Digital Realty Trust	-3.32%
Rexford Industrial Realty	2.82%	Extra Space Storage	-2.20%
Simon Property Group	2.02%	AvalonBay Communities	-1.99%
Sun Communities	2.01%	Equity Residential	-1.77%

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

Top 10 Stocks (%)

	Portfolio		Portfolio
Public Storage	7.09%	Welltower	3.41%
Realty Income	6.96%	Prologis	3.09%
Equinix	6.28%	Sun Communities	3.01%
Simon Property Group	5.35%	Invitation Homes	2.84%
Rexford Industrial Realty	3.47%	VICI Properties	2.66%

Weights by Sector (%)

	Portfolio
Industrial Properties	14.37%
Residential	14.25%
Net Leased Properties	12.16%
Retail: Enclosed Malls	11.21%
Self Storage Property	9.69%
Healthcare Facilities	7.73%
Diversified Property Holdings	7.64%
Technology: Datacenters	6.28%
Residential: Hotels	6.24%
Retail: Community Shopping Centers	5.50%
Office Buildings	2.37%
Technology: Towers	1.68%
Cash	0.87%

Weights by Market (%)

	Portfolio	Benchmark
United States	69.93%	70.70%
Continental Europe	8.41%	8.94%
Japan	4.78%	5.61%
United Kingdom	4.69%	4.40%
Singapore	3.60%	3.00%
Canada	3.07%	2.39%
Hong Kong	2.38%	1.46%
Australia	2.26%	2.75%
Cash	0.87%	0.00%
Emerging Markets	0.00%	0.45%
New Zealand	0.00%	0.30%

Market Review

Global real estate stocks were down for the quarter. Performance by region was flat-to-down as the Americas was the best-performing region, posting a relatively flat return as investors continue to digest mixed economic data while awaiting news of a rate cut from the Fed. Returns in Europe were down modestly as markets sold off in June following the announcement of a snap election in France, which offset the positive news of a rate cut by the ECB at the beginning of the month. The Asia-Pacific region was the laggard for the quarter, the result of a consolidation in the Japanese market following last quarter's strong returns that were driven by the BOJ's shift in monetary policy. Hong Kong also posted negative performance despite policy efforts by the government to stimulate the residential property market. While news at the macro level was the primary catalyst for market performance during the quarter, property fundamentals continue to show improvement at the company level.

North America

Performance in the Americas region was essentially flat for the quarter, with mixed returns by property type.

Healthcare and residential were the best performing sectors. Within residential, Sunbelt markets continue to lag Coastal markets, driven by new supply. Meanwhile, the industrial and hotel sectors lagged for the quarter.

At quarter end, news of an IPO emerged as temperature-controlled storage and logistics provider, Lineage Logistics, is pursuing an offering. Lineage would become one of the largest REITs by market cap. The IPO itself will be over $3B, which will be the largest REIT IPO ever, with a total market cap north of $30B.

Asia-Pacific

The Asia-Pacific region was the notable underperformer as results were negative throughout the region. Japan and Hong Kong were the poorest performing countries.

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

The Japanese market reversed some of its exceptionally strong gains from 1Q that followed the BOJ rate change in late March.

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

Europe

The call for a snap election in France drove markets lower in June as investors debated the potential impact of a new government on economic policies. Other European markets moved lower on the news.

As expected, the ECB announced a 25 bp rate cut at their June meeting, which was a positive catalyst for the market. Separately, the Bank of England is likely not to consider a rate cut until later in 2024, given budgetary constraints.

U.K. property companies were down in June, to a degree in sympathy with the Continent but also in advance of Parliamentary elections in early July.

Outlook & Strategy

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.

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 5% in 2024; earnings growth can accelerate to over 5% in 2025.

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.

We own a well-balanced portfolio of securities that have been screened for their growth prospects in combination with the quality of their business models, assets, balance sheets and management teams. We are positive on property types, regions and stocks that offer these qualities at attractive relative valuations.

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