Portfolio report

UBS CBRE Property Securities Fund
Australia Equity
Client report from 01.10.2023 to 31.12.2023

Performance Comments

The Fund returned 17.13% during the December quarter, outperforming the S&P/ASX 300 AREIT Index by 0.63%.

The largest contributor to quarterly performance was the Fund's overweight position in HMC Capital Limited. The Fund Manager again demonstrated its ability to originate deal flow via the reverse listing of Chemist Warehouse Group with large ambitions as an active capital manager across multiple sectors with structural tailwinds.

The Fund's underweight position in National Storage REIT also contributed to quarterly performance. National Storage lagged peers in response to moderating operating fundamentals such as rental growth and occupancy levels.

The biggest detractor from quarterly performance was the Fund's overweight position in Mirvac Group. The Group's quarterly update cited underwhelming residential momentum relative to market expectations and a significant second half earnings skew to meet full year guidance. However, the Fund continues to be attracted to Mirvac's exposure to the residential sector, with emphasis on high density product focused on upsizers/downsizers that are less sensitive to borrowing costs. The Fund's underweight position in Centuria Capital Group also detracted from quarterly performance. The fund manager announced positive momentum within its real estate credit business within the quarter. In addition, cyclical stocks, including Centuria, benefited from a retracement in bond yields and expectations of a recovery in transaction activity and capital flows.

After fees and expenses, the portfolio increased by 17.13% over the quarter, outperforming its benchmark.

% Return (Net)	Fund[1]	Benchmark*	Difference
3 months	17.13	16.50	0.63
1 year	19.46	16.90	2.56
3 years	6.30	5.88	0.42
5 years	8.55	6.39	2.16
Calendar Year to Date	19.46	16.90	2.56
Since inception (02/93)	7.74	8.06	(0.32)

[1]Performance 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
Hmc Capital Ltd	30.79	0.28	OW
National Storage Reit	8.01	0.22	UW
Bwp Trust	8.06	0.16	UW
Scentre Group Limited	21.55	0.14	OW
Centuria Industria	9.29	0.13	UW
Total of top 5 Contributors		**0.93**	
Stockland	15.53	(0.13)	OW
Arena Reit	11.70	(0.14)	OW
Ingenia Communities Gro	5.95	(0.18)	OW
Mirvac Group	0.22	(0.38)	OW
Unibail-Rodamco-Westfie	47.54	(1.93)	UW
Total of top 5 Detractors		**(2.76)**	

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	33.48	GPT	(18.23)
Scentre	14.44	Stockland	(16.82)
Ingenia Communities	3.67	Mirvac	(15.13)
HMC Capital	3.64	Charter Hall	(10.81)
Dexus	3.13	Charter Hall Long Wale REIT	(6.58)

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) increased by 16.5% in the December quarter, outperforming the broader equity market which returned 8.4% (S&P/ASX 300 Index).

Moderating global inflation expectations drove market strength during the December quarter. Outperformance was witnessed within cyclical exposures such as fund managers and residential developers.

Numerous Groups released September quarterly updates during the quarter. Residential developers reported strong fundamentals, with both sales momentum and construction conditions improving. Retail names cited improving occupancy levels driven by strong leasing activity despite softer specialty sales. Non-discretionary categories outperformed as consumers adjusted spending habits in response to cost of living pressures. The industrial subsector reported continuing strength with demand exceeding supply in most national markets, however prime rental growth slowed from record levels. Office fundamentals remain subdued, characterized by challenging leasing conditions and an uncertain valuation outlook.

Ahead of half year reporting season in early 2024, several A-REITs released preliminary revaluations. Convenience retail, healthcare, childcare and industrial names reported income growth largely offsetting yield expansion. In contrast, the office subsector reported high single digit percentage devaluations driven by continued weakness in leasing conditions.

Outlook & Strategy

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 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 residential, industrial, agriculture, and childcare.

As market volatility persists, we anticipate the Australian REIT sector will benefit from its earnings predictability, cash flow resilience and balance sheet strength.

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