Portfolio report

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

Performance comments

After fees and expenses, the portfolio returned +16.19% over the quarter, outperforming its benchmark.

% Return (Net)	Fund[1]	Benchmark*	Difference
3 months	16.19	13.45	2.74
1 years	10.57	4.42	6.15
3 years	3.96	0.42	3.54
5 years	5.54	1.35	4.19
Calendar Year to Date	10.57	4.42	6.15
Since inception (07/06)	4.95	3.90	1.05

[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 outperformed the benchmark in December, 4Q and Calendar 2023. For the quarter, stock selection and sector allocation each added value. Relative performance benefited from a strong contribution from the Americas as well as the Asia-Pacific region. While absolute performance was strong in Europe, relative performance lagged modestly for the quarter.

<u>Americas</u>
Stock selection and sector allocation decisions in the U.S. contributed to the solid relative outperformance in the region. Stock selection added value across most property types and was strongest in the healthcare, net lease and residential sectors. Stock selection in the storage sector detracted from performance for the quarter. Sector allocation benefited from an overweight exposure to the outperforming mall, storage, tower and hotel sectors along with an underweight exposure to the underperforming residential and data center sectors.

<u>Asia-Pacific</u>
Stock selection drove relative outperformance for the quarter and was positive across all markets within the region. Japan was the strongest performer where an underweight exposure to the underperforming JREITs added value for the quarter. Singapore was a notable outperformer as positioning in the S-REIT and S-REOC sectors each contributed to performance.

<u>Europe</u>
Relative underperformance in the region was the result of being modestly underweight in the Continent as stocks rebounded sharply late in the quarter as interest rates declined. The rebound was most pronounced in the Nordics, where companies rely on floating-rate debt to finance their operations. We are underweight many of the companies in this region as property fundamentals are less compelling as compared to other markets on the Continent. In the U.K., relative performance was positive as sector allocation decisions accounted for the outperformance.

Stock Contributors & Detractors (%)

Company name	Return	Contribution	Over / underweight
Simon Property Group	26.69	0.50	OW
Unibail-Rodamco-Westfie	41.26	0.28	OW
Sba Communications	20.31	0.24	OW
Macerich	36.00	0.21	OW
Equity Residential	(0.40)	0.19	UW
Total of top 5 Contributors		**1.42**	
Prologis	13.09	(0.13)	UW
Invitation Homes	3.48	(0.14)	OW
Welltower	4.85	(0.16)	OW
Vonovia	23.48	(0.18)	UW
Extra Space Storage	26.04	(0.23)	UW
Total of top 5 detractors		**(0.84)**	

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	3.86%	Prologis	-4.04%
Simon Property Group	3.21%	Digital Realty Trust	-2.67%
Rexford Industrial Realty	3.16%	Extra Space Storage	-2.20%
Welltower	2.96%	Equity Residential	-1.50%
Invitation Homes	2.37%	Vonovia	-1.44%

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

Top 10 Stocks (%)

	Portfolio		Portfolio
Public Storage	7.00%	Rexford Industrial Realty	3.94%
Simon Property Group	6.25%	Invitation Homes	3.74%
Welltower	6.14%	Realty Income Corporation	2.73%
Equinix	4.18%	Alexandria Real Estate Equities	2.38%
Prologis	4.04%	Link Real Estate Investment Trust	2.31%

Weights by Sector (%)

	Portfolio
Industrial Properties	16.24%
Residential	14.02%
Retail: Enclosed Malls	11.26%
Healthcare Facilities	10.66%
Self Storage Property	10.64%
Net Leased Properties	8.16%
Office Buildings	6.50%
Residential: Hotels	6.10%
Retail: Community Shopping Centers	6.03%
Technology: Datacenters	4.18%
Diversified Property Holdings	3.05%
Technology: Towers	2.02%
Cash	1.16%

Weights by Market (%)

	Portfolio	Benchmark
United States	68.85%	68.22%
Continental Europe	8.36%	9.38%
Japan	5.52%	6.46%
Singapore	4.30%	3.46%
United Kingdom	3.83%	4.34%
Hong Kong	2.95%	1.89%
Canada	2.52%	2.56%
Australia	2.51%	2.88%
Cash	1.16%	0.00%
Emerging Markets	0.00%	0.46%
New Zealand	0.00%	0.35%

Market Review

Global real estate stocks delivered strong fourth quarter performance to close out the year, outperforming broader equities and bonds as Fed Chair Powell announced the FOMC will cut rates in 2024. Investment returns during the past two years have been largely driven by the market adapting to higher interest rates, which has resulted in a material drop in commercial real estate pricing from peak valuations in early 2022. Underlying property valuations in the listed market have 'dislocated' further from valuations in the private market, with REITs currently trading at double-digit discounts to private market valuations. REITs have typically outperformed equities, bonds and private real estate at the end of Fed tightening cycles. In our opinion, real estate stocks remain attractively valued and offer above-average and growing dividend yields as well as resilient earnings growth. We believe investors committing capital to listed real estate at this time have the potential to earn an attractive absolute and relative long-term total return.

North America

Performance within the Americas region was positive across all property types, spurred by a decrease in interest rates, with 10-year Treasury yields dropping by nearly 70 basis points during the quarter.

The U.S. mall sector was one of the top-performing sectors for the quarter as companies delivered strong 3Q earnings reports as retailers remain healthy and consumer demand continues to be robust.

The tower sector outperformed, rallying strongly in 4Q, aided by a drop in interest rates.

Asia-Pacific

The Asia-Pacific region continues to underperform but managed to deliver positive performance for the quarter.

Australia was the best-performing market within the region as property companies rallied on a lower-than-expected CPI print and a drop in bond yields.

Hong Kong and Japan underperformed as weakness in the Chinese economy continued to weigh on Hong Kong markets, while the BOJ continues to be cautious in its efforts to reflate the Japanese economy.

Europe

Stocks on the Continent outperformed for the quarter and the year, following strong performance in November and December in the wake of declining interest rates. In the U.K., stocks were down modestly for the quarter on news of higher rates and persistent inflation. The U.K. 'majors' (British Land, LandSec) held up somewhat better during a lackluster quarter.

Performance on the Continent was led by companies that rely on floating-rate debt.

In the U.K., performance was strong as the UK majors, as well as companies in the industrial, residential, retail and storage sectors generally outperformed.

Outlook & Strategy

We believe the listed markets should benefit from central bank rate cuts in 2024 and remain attractively valued relative to fixed income, equities and private real estate. 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 3.0% in 2024 and dividend growth at least in line with earnings.

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. M&A transactions 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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