# Portfolio report

UBS CBRE Global Property Securities Fund
Global Equity REITs
Client report from 01.01.2024 to 31.03.2024

### Performance comments

After fees and expenses, the portfolio returned -0.82% over the quarter, outperforming its benchmark.

| % Return (Net) | Fund[1] | Benchmark* | Difference |
|---|---|---|---|
| 3 months | (0.82) | (1.49) | 0.67 |
| 1 years | 7.91 | 5.87 | 2.04 |
| 3 years | 1.23 | (1.29) | 2.52 |
| 5 years | 2.47 | (1.02) | 3.49 |
| Calendar Year to Date | (0.82) | (1.49) | 0.67 |
| Since inception (07/06) | 4.83 | 3.92 | 0.91 |

[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 for the quarter, driven by stock selection that was positive across all three major geographic regions. Sector allocation decisions detracted from relative performance as positioning in the Asia-Pacific region was a drag.

Americas

The Americas region was the primary contributor to relative performance as positioning in the U.S. and Canada each benefited the portfolio. In the U.S., stock selection in the hotel, residential, storage, healthcare and office sectors were the top contributors, more than offsetting the drag from holdings in the data center and industrial sectors. An overweight to the outperforming mall sector accounted for most of the contribution from sector allocation. In Canada, an overweight to outperforming Boardwalk REIT helped relative performance.

Asia-Pacific

Asia-Pacific region positioning added relative performance for the quarter where stock selection in Australia was the top contributor, helped by overweights to outperforming Goodman Group (industrial) and Scentre Group (malls). Meanwhile, overall allocation was negatively impacted by positioning in Hong Kong, where an overweight to underperforming Link REIT detracted from relative performance.

Europe

Stock selection on the Continent drove relative outperformance in the region, led by outperforming retail names Unibail-Rodamco-Westfield, Klepierre and Mercialys as well as from outperforming Swedish companies Pandox (hotels) and Catena (industrial). Sector allocation impacts were neutral for the quarter.

## Stock Contributors & Detractors (%)

| Company name | Return | Contribution | Over / underweight |
|---|---|---|---|
| Simon Ppty Group | 16.24 | 0.32 | OW |
| Park Hotels Resorts | 21.26 | 0.19 | OW |
| Welltower | 9.09 | 0.19 | OW |
| Invitation Homes | 10.07 | 0.17 | OW |
| Unibail-Rodamco-Westfield | 13.84 | 0.15 | OW |
| **Total of top 5 Contributors** | | **1.02** | |
| Equinix | 7.70 | (0.17) | UW |
| Link Real Estate Investment | (19.92) | (0.23) | OW |
| Sba Communications | (10.26) | (0.26) | OW |
| Rexford Industrial Realty | (5.44) | (0.27) | OW |
| Digital Realty | 12.90 | (0.30) | UW |
| **Total of top 5 detractors** | | **(1.23)** | |

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

**Weights by Sector (%)**

| | Portfolio |
|---|---|
| Industrial Properties | 14.52% |
| Residential | 12.68% |
| Retail: Enclosed Malls | 11.70% |
| Healthcare Facilities | 10.62% |
| Net Leased Properties | 9.92% |
| Self Storage Property | 9.05% |
| Diversified Property Holdings | 7.05% |
| Retail: Community Shopping Centers | 6.63% |
| Residential: Hotels | 6.01% |
| Technology: Datacenters | 5.23% |
| Office Buildings | 3.69% |
| Technology: Towers | 1.64% |
| Cash | 1.27% |

## Portfolio Positioning

**Active Positions by Stock (%)**

| Top 5 Overweights | | Top 5 Underweights | |
|---|---|---|---|
| Realty Income | 3.76% | Prologis | -4.12% |
| Public Storage | 3.40% | Digital Realty Trust | -2.94% |
| Rexford Industrial Realty | 2.93% | Extra Space Storage | -2.08% |
| Simon Property | 2.71% | AvalonBay Communities | -1.78% |
| Welltower | 2.43% | Equity Residential | -1.59% |

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

**Top 10 Stocks (%)**

| | Portfolio | | Portfolio |
|---|---|---|---|
| Realty Income | 6.80% | Prologis | 4.00% |
| Public Storage | 6.47% | Rexford Industrial Realty | 3.64% |
| Simon Property Group | 6.14% | Invitation Homes | 2.97% |
| Welltower | 5.93% | Alexandria Real Estate Equities | 2.42% |
| Equinix | 5.23% | Sun Communities | 2.33% |

**Weights by Market (%)**

| | Portfolio | Benchmark |
|---|---|---|
| United States | 69.26% | 69.19% |
| Continental Europe | 7.73% | 9.15% |
| Japan | 5.36% | 6.20% |
| Singapore | 4.09% | 3.14% |
| United Kingdom | 3.96% | 4.34% |
| Australia | 2.89% | 3.00% |
| Canada | 2.87% | 2.53% |
| Hong Kong | 2.58% | 1.63% |
| Cash | 1.27% | 0.00% |
| Emerging Markets | 0.00% | 0.49% |
| New Zealand | 0.00% | 0.33% |

## Market Review

Global real estate stocks were flat for the quarter in local currency, following strong returns to end 2023. The REIT sector also lagged the broader equity market during Q1 as the MSCI World Index was up +10.2% in local terms. The divergence in quarterly returns is one of the largest in the past 20 years. Historically, REITs have materially outperformed the broader market in the quarter following these occurrences.

REITs fundamentals remain solid and valuations are attractive. This earnings season, more than 80% of REITs either met or beat analyst estimates. For 2024, many companies issued conservative guidance. Looking into 2025, we expect an acceleration in REIT earnings, with mid-single-digit FFO growth above the historic average. Alongside an attractive dividend yield and discounted valuations to both private real estate and public equity markets, we believe the total return prospects for REITs are compelling.

### North America

Performance in the Americas region was down modestly, following last quarter's strong rally. Performance was mixed by property type.

Malls, hotels and data centers were the best-performing sectors. The mall and hotel sectors delivered strong returns, aided by continued economic growth and a resilient consumer.

The U.S. data center sector continues to benefit from the nascent AI industry, with increasing demand & low vacancies driving pricing power.

### Asia-Pacific

The Asia-Pacific region posted the best performance, as Japan and Australia delivered positive returns, offsetting underperformance in Hong Kong and Singapore.

The Japanese market rallied sharply following the BOJ's announcement to simplify monetary policy by ending its negative interest rate, YCC and quantitative easing policies.

Australian markets rallied following the release of first half FY24 results, several companies experienced strong market rent growth. Reports also showed a stabilization in office occupancy levels, a resilient retail market, and residential developers anticipating improvements in sales volume.

### Europe

The European region lagged following exceptionally strong Q4 2023 performance, due in large part to stubbornly high rates, economic deceleration in Germany, and a few companies participating in dilutive equity offerings.

Stock performance on the Continent was mixed, with retail generally outperforming while German residential and highly-levered companies in the Nordics region underperformed.

In the U.K., company performance was generally negative for the quarter as interest rates remained high on stronger than expected economic data.

## 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 4% in 2024; earnings growth can accelerate to over 5% in 2025.

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.

UBS Asset Management (Australia) Ltd

ubs.com

UBS