

# UBS Property Securities Fund

November 2017

## Fund description

The Fund is a portfolio of mainly Australian Real Estate Investment Trusts that we believe are being undervalued by the market, based on our assessment of the company's future cashflows.

## Investment objective

The Fund aims to outperform (after management costs) the S&P/ASX 300 Property Accumulation Index over rolling five year periods.

## Active security positions

Overweight	Underweight
Stockland	Dexus
Vicinity	Westfield
Charter Hall	GPT
Viva Energy REIT	Shopping Centres
Arena REIT	Iron Mountain

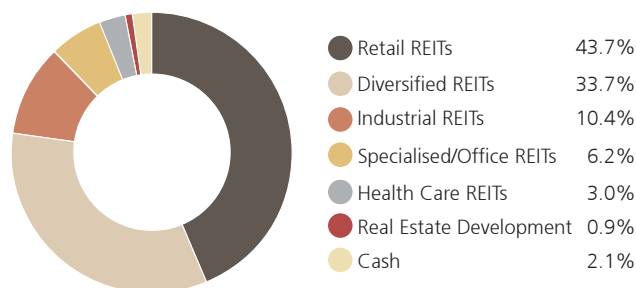
As at 30 November 2017

## Fund information

Inception date	1 February 1993
Fund size	\$190.6 m
Management fee	0.85% pa
Minimum initial investment	\$20,000 (via mFund \$5,000)
Typical number of holdings	15 to 25
Distributions	Quarterly
Buy/sell spread	+/- 0.25%
APIR code	SBC0816AU
mFund code	UAM11

As at 30 November 2017

## Investment portfolio



As at 30 November 2017

## Investment performance

As at 30 November 2017

Fund	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since inception* % pa
Total return	4.86	8.10	16.10	12.67	14.75	7.93
– Distribution	-	0.56	5.44	4.35	4.23	-
– Growth	-	7.53	10.67	8.32	10.52	-
Benchmark**	5.29	8.27	13.49	12.86	13.99	8.41
<b>Added Value</b>	<b>(0.43)</b>	<b>(0.17)</b>	<b>2.61</b>	<b>(0.19)</b>	<b>0.76</b>	<b>(0.48)</b>

\*Inception date: 1 February 1993. \*\*S&P/ASX 300 Property Accumulation Index. Prior to 1 June 2012, the benchmark was 85% S&P/ASX 300 Property Accumulation Index, 15% EPRA NAREIT developed index (hedged in AUD).

Performance figures are net of ongoing fees and expenses. Performance has been prepared in accordance with 2016 GIPS standards. 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.

## Portfolio review

After fees and expenses, the portfolio increased by 4.86% over the month, underperforming its benchmark by 43bps.

The portfolio delivered a +4.9% return in November, underperforming the benchmark (S&P/ASX 300 AREIT Accumulation Index) return of +5.3%. In the past 12 months the fund has delivered a +17.1% return versus the benchmarks +13.5% return. During November an overweight to the Charter Hall Group (CHC) contributed positively while an overweight to Mirvac Group (MGR) detracted relative value. For the year, an overweight to the Charter Hall Group (CHC) contributed positively while an overweight to Vicinity Centre (VCX) detracted relative value.

## Market review

The Australian REIT market (S&P/ASX 300 A-REIT Accumulation Index) delivered a +5.3% return in November, outperforming the broader equities return of +1.6% (S&P/ASX 200 Accumulation Index). Over the past twelve months AREITs have delivered a +13.5% return vs +14.6% for the broader equities market. Key outperformers were National Storage (NSR) at +11.9% and Arena REIT (ARF) at +11.6%, while the key underperformers were Industria (IDR) at -1.1% and Centuria Metropolitan (CMA) at +0.8%. The focus in November was on the retail sales results announced as part of the REITs quarterly updates. It has

confirmed the market expectation of a further deceleration of retail sales growth but this has not impacted valuations to date. The strong AREIT performance for the month of November was helped by Australian 10-year bond yields declining from 2.7% to 2.5% and corporate activity in the US Mall REIT sector, with the implication that retail REITs were under-valued.

## Outlook

The sector is presently paying a 5.0% distribution yield with dividend growth of 4.0% expected in FY18, thus providing a forecast total return of around 9%. This compares to a cash rate of 1.5% and similarly modest offerings from cash management accounts. The sector benefits from low gearing, secure distributions and strong demand for institutional grade real estate from sovereign and pension funds. A continuation of low interest rates and corporate activity / M&A will support the sector, while any softening in bond yields would negatively impact pricing.

## Client Services

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