

May 2024

# UOB APAC Green REIT ETF



## Why Invest?

- **Diversified property holdings:** UOB APAC Green REIT ETF (the “Fund”) seeks to invest in high-quality and sustainable real estate across a wide range of sectors and markets. As of May 2024, the Fund’s Top Three sectors were Retail, Diversified, and Industrial Real Estate Investment Trusts (REITs).
- **Rising opportunities in Asia:** The International Finance Corporation (IFC), a member of the World Bank Group, estimates that by 2030, the green buildings sector within Emerging Markets will see US\$24.7 trillion in business investment, driven by the expansion of building construction and the increasing urgency to achieve carbon neutrality<sup>1</sup>.
- **High demand for green buildings:** According to Jones Lang LaSalle Incorporated (JLL), over 70 per cent of corporate occupiers in Asia Pacific are willing to pay a rental premium to lease certified green buildings as part of efforts to meet their decarbonisation goals<sup>2</sup>.
- **Capable of delivering positive total returns:** The Fund aims to deliver both high dividend yield and capital gains by selecting real estate assets with both good rentals and growth potential.

## May 2024 Portfolio Performance

UOB APAC Green REIT ETF (SGD)	-1.62 per cent <sup>3</sup>
Benchmark: iEdge-UOB APAC Yield Focus Green REIT Index	-1.52 per cent

Source: Morningstar, Performance from 30 April 2024 to 31 May 2024 in SGD terms

<sup>3</sup> Fund performance is on a Net Asset Value (“NAV”) basis, with dividends and distributions reinvested (if any).

## Performance Review

The performance of the Fund was supported by Australia’s market in May 2024 while Japan, Hong Kong and Singapore detracted from performance.

## Portfolio Positioning

Global REITs has positive outlook as rates stabilise. Although global economic growth is forecasted to slow in 2024, we believe earnings in REITs will prove resilient supported by strong fundamentals and supply-demand dynamics. Demand is driven by a resilient economy supported by ongoing job growth while supply is forecasted to decline as a consequence of the higher for long interest rates. With supply declining as the backdrop coupled with a steady growth in the demand for space, it can result in an attractive REITs environment.

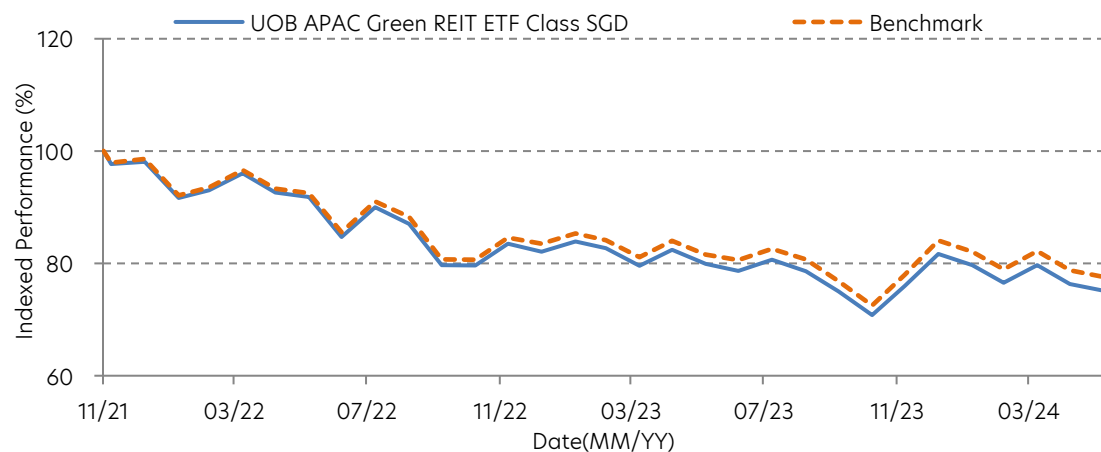
We believe REITs still present an attractive investment proposition from a total return perspective, with a combination of stable dividend yield supported by cash flow and upside potential for capital values. Our approach is to use both fundamental screening and valuation overlay to identify REITs with relatively more sustainable recovery paths, fewer concerns about financing risks, and better yield-plus-growth trajectories.

<sup>1</sup> IFC, “Green Buildings – A Finance and Policy Blueprint for Emerging Markets”, December 2019.

<sup>2</sup> JLL Research Commentary, “Premium rental for green buildings in Asia Pacific- Occupiers in Asia Pacific are willing to pay a premium rental for green-certified buildings”, 16 November 2021.

### Performance (Class SGD)

Fund Performance Since Inception<sup>4</sup> in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: iEdge-UOB APAC Yield Focus Green REIT Index

Source: Morningstar. Performance as at 31 May 2024, SGD basis, with dividends and distributions reinvested, if any.

<sup>4</sup> The UOB APAC Green REIT ETF (ISIN Code: SGXC32426998) was incepted on 23 November 2021.

All statistics quoted in the write-up are sourced from Bloomberg as at 31 May 2024 unless otherwise stated.

iEdge-UOB APAC Yield Focus Green REIT Index vs peer indices year to date, 31 December 2023 - 31 May 2024

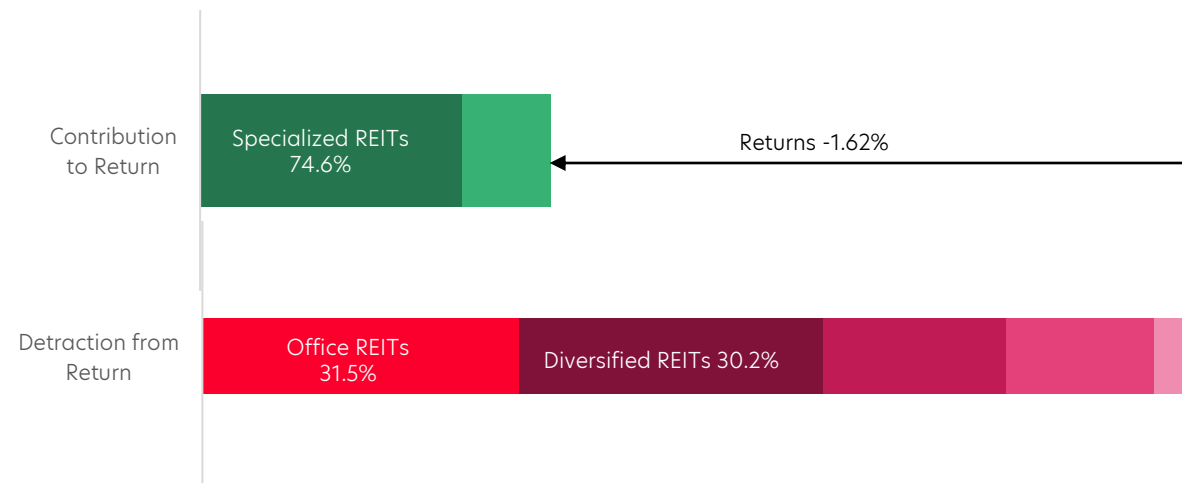
REIT Indices	Total Return (SGD)
iEdge-UOB APAC Yield Focus Green REIT Index	-7.73%
S&P Asia Pacific REIT Index	-3.85%

Source: UOBAM/Bloomberg, 31 May 2024

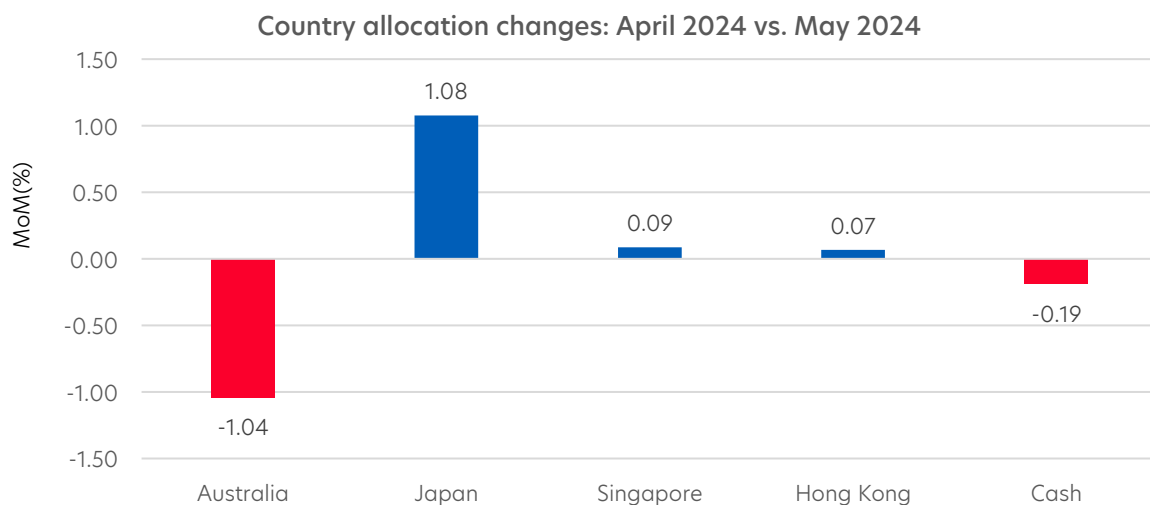
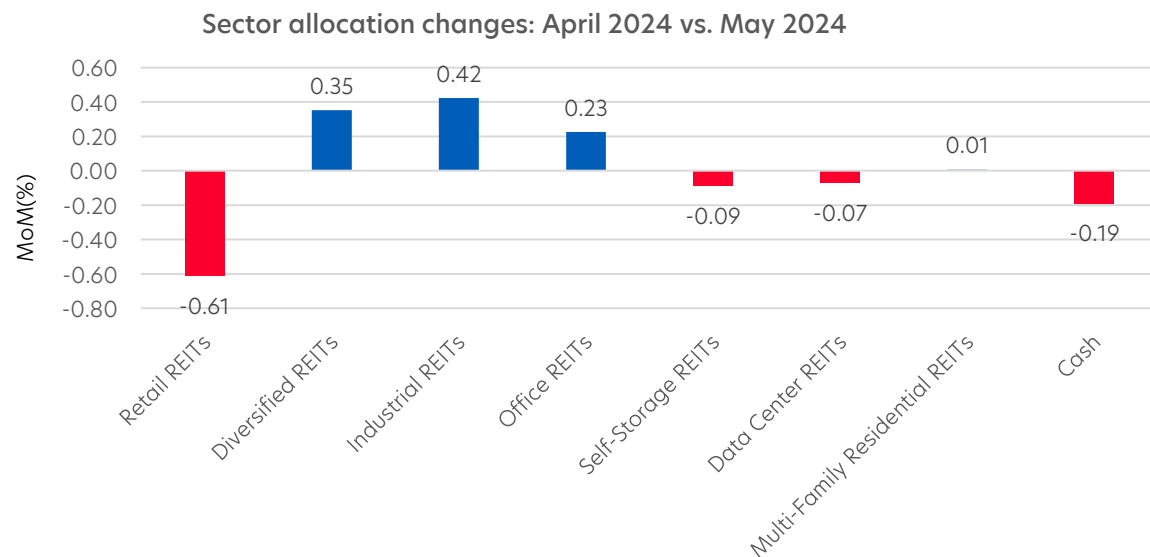
Past performance is not necessarily indicative of future performance. Performance numbers are not annualised.

The Index underperformed its non-green peer S&P APAC REIT Index by -3.88 per cent year-to-date.

### Performance Contributors/Detractors: May 2024



## Portfolio Changes



Source: UOBAM

## Portfolio Review

### Analyst Insights

As shown on the left charts, the biggest decrease in the sector allocation changes for May 2024 was in Retail REITs (-0.61 per cent), and the largest increase was in Industrial REITs (+0.42 per cent). In terms of country allocation changes, the Fund had the highest decline in Australia (-1.04 per cent) and the highest increase in Japan (+1.08 per cent) for May 2024.

## Market Review

**Global equities** gained 3.14 per cent (MSCI All Country World Index, in SGD terms) in May 2024. The real estate/REITs sector fell -0.34 per cent (S&P Asia Pacific REIT Index, SGD terms) with performance supported by the Australian real estate/REITs market, while Japan and Hong Kong detracted as laggards. The benchmark (iEdge-UOB APAC Yield Focus Green REIT Index) fell -1.52 per cent.

In **Australia**, the Consumer Price Index (CPI) for April 2024 unexpectedly picked up to a five-month high, which reinforced sticky inflation concerns emphasized by the Reserve Bank of Australia (RBA) in its May 2024 policy statement. The elevated inflation pressure prompted the RBA to conclude CPI would take longer to return to target. Although the CPI data by itself was not considered to be material enough to pull the RBA into a more hawkish stance, the risk of a rate hike remains with the central bank. Australia's private sector growth unexpectedly rose for April 2024, with private sector credit expanded by +0.5 per cent month-on-month (m/m) versus consensus of +0.4 per cent and revised +0.4 per cent in March 2024. The RBA subsequently kept its cash rate on hold at 4.35 per cent but further rate hikes could be on the cards.

In **Japan**, the 10-year government bond yield rose to 1.07 per cent in May 2024, the highest in a decade, on expectations that another rate hike might be sooner rather than later. Core inflation in Tokyo accelerated in May 2024 amid an increase in utility costs. The industrial production in April 2024 unexpectedly shrank, retail sales growth was better than expected but details were mixed. Industrial production fell by 0.1 per cent m/m in April 2024, notably below expectations of a +1.5 per cent rise, following a +4.4 per cent growth in March 2024. The retail sales grew by 2.4 per cent year-on-year (y/y) in April 2024, accelerating from a downwardly revised 1.1 per cent rise in March 2024, which was the softest pace in two years. But details were mixed with growth confined to machinery and equipment and apparel, outweighing weakness in automobiles. The unemployment rate for April 2024 was steady at 2.6 per cent, matching expectations, though the ratio of job offers to applicants fell to 1.26 from 1.28.

**Singapore's equity market** rose 2.9 per cent in May 2024 as shipbuilders, food and gateway service providers, as well as telcos, were among the top performers. Core inflation stood at +3.1 per cent y/y in April 2024, unchanged from March 2024, as a rise in prices for electricity and gas, was offset by softer services and food inflation.

**China's market** gained +1.5 per cent in May 2024, as another mixed set of economic results were posted. The Purchasing Managers' Index (PMI) leaned positive for April 2024 with the new orders component growing at its fastest pace in a year. However, the official readings in May 2024 disappointed with manufacturing contracting again. The trade data for April 2024 showed imports and exports returned to year-on-year (y/y) growth but industrial profits from January to April 2024 were stagnant from the previous period. The Consumer Price Index (CPI) reversed its deflationary trend, but Producer Price Index (PPI) remained deep in contraction. In **Hong Kong**, the equity market gained +1.6 per cent in May 2024.

## Investment Objective

The investment objective of the UOB APAC Green REIT ETF is to provide investment results that, before fees, costs and expenses (including any taxes and withholding taxes), closely correspond to the performance of the iEdge-UOB APAC Yield Focus Green REIT Index.

## Fund Information

Base Currency	Fund Size	Fund Manager
SGD	SGD 57.93 mil	Victor Wong



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