

Quay Global Real Estate Fund

Monthly performance update

As at 31 January 2021

At a Glance

Feature	Fund facts
APIR Code	BFL0020AU
Investment objective	To generate a real total return of at least 5% above CPI per annum over a 5+ year investment horizon
Portfolio managers	Chris Bedingfield/Justin Blaess
Stock number	26
Inception date	30 July 2014 ¹
Recommended investment period	Long term (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV ²	1.1751
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

It was a volatile month.

Apart from the shenanigans in Washington DC on January 5, there were shenanigans across certain 'well-shorted' companies which created a volatile trading environment. The GameStop story was not limited to US equities – a number of global REITs were also indirectly impacted, with select unloved REITs (Unibail-Rodamco, Macerich) rallying hard into the month-end. The Fund does not own any of the affected names, so there was no impact on monthly returns.

Global equities ended roughly flat (-0.4%), despite a slightly weaker local dollar. The promise of a new Biden stimulus (roughly \$1.9T) appears to be tempered by the realisation that such aggressive fiscal policies may be difficult to pass with a finely balanced US Senate. We think this dynamic is worth monitoring, as we believe 'fiscal watch' has become more important relative to 'fed watch'. We explore this shift in more detail in this month's [Investment Perspectives](#).

The local market was also relatively flat, although it ended the month on the right side of the return ledger, posting a +0.3% gain.

Fund Commentary

In a similar outcome to global markets, the Fund was also relatively flat for the month (-0.4%), supported by a +0.5% currency gain.

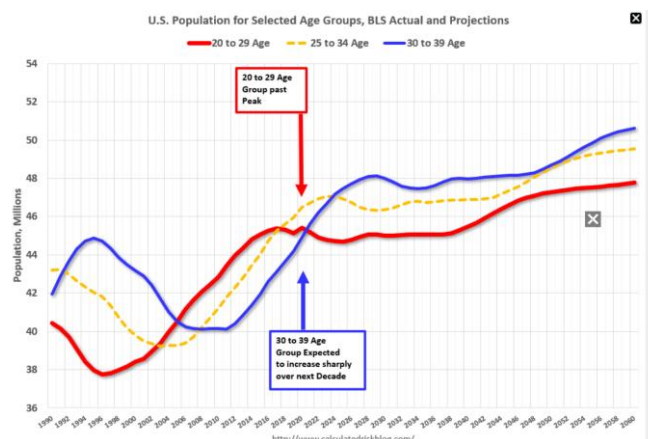
Safestore (European Storage), Coresite (US Data), and Mid America Apartments (US apartments) all posted strong gains. Safestore again posted very strong operating metrics during the month supporting our long term secular European storage demand thesis, and providing a nice read-through for our other storage exposures. In addition, the Fund's retail exposure again contributed significantly.

Our exposure to German residential, triple net leasing and US healthcare detracted this month. As we head into reporting season, early indications suggest the leakage of occupancy across our senior housing exposure is accelerating during the US winter. This will continue to add pressure to short-term earnings – and probably performance. However, we firmly believe the positive long-term demographic tailwinds for the sector are unchanged.

During the month, we exited our position in Camden Property Trust, or "CPT" (US Apartments). We had re-initiated our investment in this company at the depths of the crisis (April 2020) and have been handsomely rewarded with +56% total return (in local terms). We used the proceeds to increase our exposure to existing investees, in particular US single-family housing. As a consequence, the number of investees across the Fund reduced to 26.

At current pricing, we believe we have sold out of CPT at replacement cost, and into single-family houses at / near replacement cost.

When we launched the Fund in 2014, there were clear demographic tailwinds supporting the US apartment sector. The 'echo boomers' (aged 25-34) were a significant cohort, with a high propensity to rent apartments in urban locations and limited ability to buy. In 2014 this demographic was growing significantly. This theme worked well, however six years later, as the same cohort settle down and raise families, they're likely to need a single-family home near schools. This demographic shift is well depicted in the following chart via Calculated Risk, who in our view are one of the best analysts on US housing and demographics.



Source: Calculated risk

The bonus with single-family is the supply dynamic, being far better (i.e. lower relative to demand) than apartments. We believe, even at replacement cost, long-term capital growth in single family housing is likely to exceed CPI due to structural US construction constraints.

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The Fund still maintains an exposure to US apartments, particularly coastal apartments where we believe we own the underlying real estate well below replacement cost, and therefore offer very attractive long-term total returns. However, over time, when pricing is more rational for coastal apartments, the Fund is likely to increase its weight to the single family sector.

Performance

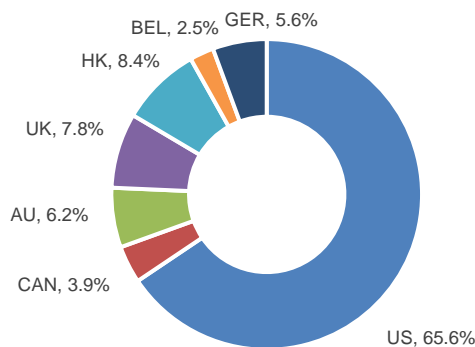
Timeframe	Fund return (net) ¹	Index**	Value add
1 month	-0.4%	-0.2%	-0.1%
3 months	5.5%	6.4%	-0.9%
6 months	6.0%	4.3%	1.7%
1 year	-14.6%	-21.9%	7.3%
2 years (p.a.)	2.0%	-2.9%	4.9%
3 years (p.a.)	7.8%	3.1%	4.7%
5 years (p.a.)	6.0%	2.8%	3.2%
Since inception (p.a.)*	10.5%	6.0%	4.5%

Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax

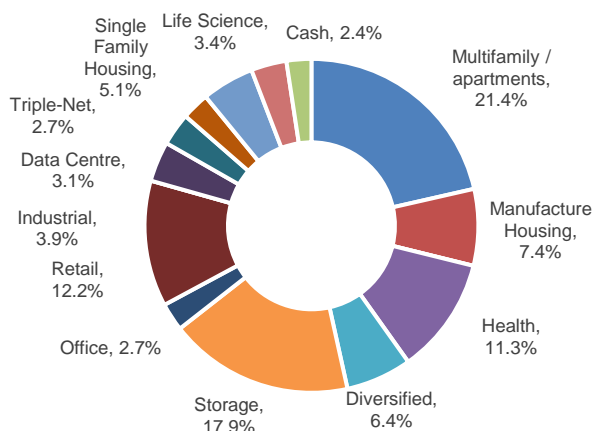
* Inception date is 30 July 2014¹

** FTSE/EPRA NAREIT Developed Index Net TR AUD⁴.

Geographic Weightings



Sector Weightings



The Fund is managed by Quay Global Investors, a Bennelong Funds Management boutique.

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How to invest

The Fund is open to investors directly via the PDS (available at quaygi.com), or the following platforms.

Platforms	
Asgard (Infinity eWrap)	IOOF (Pursuit Select, Pursuit Select (PIS), Employer Super, eXpand, Lifetrack, Grow, IPS, IDPS, Super, Pension)
AON	Mason Stevens
BT (Wrap, Panorama)	MLC (Navigator, Wrap)
CFS (FirstWrap)	Netwealth (Super Service, Wrap Service, IDPS)
Hub24 (Super, IDPS)	Wealthtrac
Macquarie Wrap (IDPS, Super)	Powerwrap (IDPS)
Oasis (Wealthtrac)	Praemium

Contact details

For more information, please call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit quaygi.com

¹ The Quay Global Real Estate Fund was launched on 30 July 2014 by another trustee, and the above performance data relates to this strategy. Bennelong assumed responsibility as replacement trustee on 31 January 2016 – for performance history relating to this date, please contact Client Experience on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.experience@bennelongfunds.com.

² Adjusted for expected withholding taxes.

³ The management fee does not include fund expenses, which are capped at 0.10% per annum on net asset value, or the performance fee. Any performance fee payable is 15.375% of the excess return over the greater of CPI and the FTSE/EPRA NAREIT Developed Index (net) Total Return (AUD). All fees quoted include GST net of reduced input tax credits. For more information, refer to the Product Disclosure Statement (PDS) dated 1 February 2017 (ARSN 610 224 381).

⁴ Source: FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. "NAREIT®" is a trade mark of the National Association of Real Estate Investment Trusts and "EPRA®" is a trade mark of European Public Real Estate Association and all are used by FTSE under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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