

Quay Global Real Estate Fund

Monthly performance update

As at 31 January 2019

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	24
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	1.1803
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

Equity markets recovered in January following a weak final quarter of 2018. The Federal reserve holding interest rates steady while sounding more “dovish” undoubtedly helped. Decelerating Chinese growth and a downgrade to global growth from the IMF added to the perception that perhaps we are near the end of the current US rate hike cycle.

Global equities surged in January, up +4.1% in AUD terms (+7.2% before the headwind of a stronger AUD / weaker USD).

The Australian market also recovered but couldn't keep pace with the global index up +3.8%. The local market seemed to be held back by the uncertainty of the outcome of the Royal Commission into the financial sector and the deterioration in the local macroeconomic environment.

Indeed, since December the mood of local commentators has soured, and calls are increasing for the next interest rate move to be down. Our view has not changed – weakness in the housing market will affect the real economy including construction, financial services and retail. The next interest rate move in Australia will be down, with the real prospect (in the absence of a meaningful currency depreciation or fiscal response) that in the coming years Australian interest rates will [approach zero](#).

Fund Performance

The Quay Global Real Estate Fund performed well in January, delivering a +6.9% total return. This was despite a -2.7% currency headwind, much of which was a function of lower USD interest rate expectations. We quite often find the currency moves in the opposite direction to our underlying investees in the short term as investors trade on interest rate speculation. This is not an accident, but part of the Fund's unhedged design, which we believe lowers risk for our investors. For more on this topic we encourage readers to refer to [Global Real Estate - hedged or unhedged?](#)

Pleasingly, the performance in January was broad based, with every investee contributing positively to the month's total return, led by our UK exposures (Safestore and Unite Group) and US retail landlord Brixmor Property Group.

Indeed, the Global Real Estate sector (up +7.0%) meaningfully outperformed equities as investors appeared to chase “yield proxies” in anticipation of the end of the interest rate cycle. At Quay we are not particularly negative on the US economy. Jobs growth (which is fundamental for real estate demand) remains robust, and there seems to be reasonable capacity for this momentum to continue.

We are more concerned regarding the economic outlook in Europe as the German and Italian economies continue to weaken, and uncertainty regarding Brexit weighs. Fortunately, we are defensively positioned in these markets with exposure to traditionally defensive sectors such as student accommodation and affordable housing. In addition, the balance sheets of our investees are conservatively positioned. Our exposure to Europe is lower than we would like as we struggle with rich valuations and extended balance sheets. We continue to monitor potential investment opportunities in Europe and the UK and remain prepared to take advantage in the event of meaningful market dislocation.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	+6.9%	+7.0%	-0.1%
3 months	+4.7%	+5.6%	-0.9%
6 months	+6.0%	+5.4%	+0.6%
1 year	+20.5%	+16.2%	+4.3%
2 years (p.a.)	+13.9%	+9.4%	+4.6%
3 years (p.a.)	+8.8%	+6.8%	+2.0%
Since inception (p.a.)*	+14.6%	+10.2%	+4.3%

Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax. 'Value add' calculation does not use rounded performance figures.

* Inception date is 30 July 2014¹

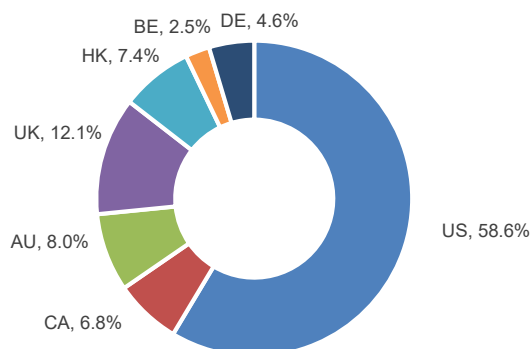
** FTSE/ EPRA NAREIT Developed Index Net TR AUD⁴.

Quay Global Real Estate Fund

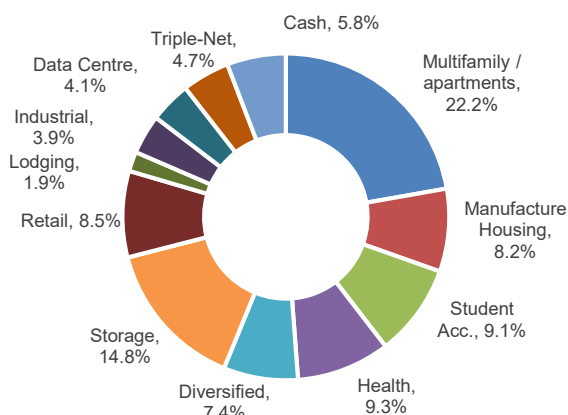
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Geographic Weightings



Sector Weightings



How to invest

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

Platforms

AON
BT (Wrap, Panorama)
Hub24 (Super, IDPS)
Macquarie Wrap (IDPS, Super)
Netwealth (Super Service, Wrap Service, IDPS)
Powerwrap (IDPS)

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 31/1/2016 (The Daily Series). Performance information before this date relates to the strategy (Series 1), which was launched 30/7/2014. For those who are invested in the Daily Series, please contact Client Services (1800 895 388 (AU) or 0800 442 304 (NZ) or client.services@bennelongfunds.com) to request your performance history.

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.

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

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