

Quay Global Real Estate Fund

Monthly performance update

As at 30 June 2020

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	27
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	1.1387
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

General Market Commentary

Ongoing strength in the Australian dollar (and USD weakness) remained a headwind for local investors. Global equities continued their positive run by returning +2.4% in local terms, however after the impact of currency, delivered -1.0%.

Toward the end of the month, it was clear some countries have minimised the infection rate of COVID-19, however the trend has reversed in the world's largest economy. Indeed, in the US (where we have our greatest exposure) there appears to be a tug-of-war between two competing investment narratives:

- rising infection rates, potentially leading to new shut-down orders impacting the economic recovery; and
- the positive effect of the extraordinary monetary and fiscal support, bridging households and businesses through the current downturn.

Betting on which narrative will win out is a difficult endeavour. To date, the 'bulls' are ahead, although that can change quickly. Our philosophy in the current environment is simple. Identify attractive real estate investment opportunities at a price that is more than likely to exceed our long-term investment objectives. Currently, those opportunities are more abundant than any time over the past three years (see below for more on this).

Locally, the Australian market tracked global shares, but without the currency effect, and returned +2.6% for the month. While we can't speak for the wider Australian equity market, value is very hard to find in the local REIT market. To us, the price locals are

prepared to pay for certain assets and REITs defies logic and appears at odds to some emerging global trends.

General Market Commentary

The Fund returned -0.6% for the month, masking a pretty decent underlying performance at the stock level (+2.7%) before the impact of currency (-3.3%). In fact, for the quarter, the portfolio returned +8.1% in local currency terms, which was not enough to offset the significant -11% impact from the rising \$A.

While the headline returns for the past three months can be viewed as disappointing, we remind investors that short-term currency movements can act as either a tailwind or headwind to performance. And in the last three months it has been a significant hinderance. However, the unhedged nature of the Fund is not to enhance returns, but to manage risk – especially during times of extreme volatility. For more on this please refer to our paper on the topic [here](#).

Over time, the movements in currency become less relevant than the underlying operational performance of our investees, for which to date, we remain comfortable. This is especially so as recent data shows most of our investees continue to collect near 100% of rent due, and the trend in rent collection continue to improve month to month.

For the quarter ended in June, the highest contributions to returns were from STAG (US industrial), Ventas (US health) and Shurgard (European storage). The largest detractors on performance included Hysan (Hong Kong Diversified), Cubesmart (US Storage) and US cash.

The portfolio now has relatively low cash (4%) and is invested across 27 companies. The cash level is around the lowest in the Fund's history and number of investees the equal highest. This is quite a change from earlier this year where we held 23-24 securities and regularly held cash levels of between 8-12%. It also reflects our view of the attractive valuations currently on offer across our investment universe. We remain cautious across certain sectors and stocks where some valuations appear to be overly enthusiastic, all in the name of "themes" or "a place to hide".

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	-0.6%	-1.1%	+0.5%
3 months	-2.8%	-2.2%	-0.7%
6 months	-14.8%	-19.7%	+4.9%
1 year	-9.8%	-14.6%	+4.8%
2 years (p.a.)	+2.1%	-1.6%	+3.7%
3 years (p.a.)	+6.2%	+2.0%	+4.2%
5 years (p.a.)	+7.5%	+3.5%	+4.0%
Since inception (p.a.)*	+10.6%	+6.1%	+4.5%

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

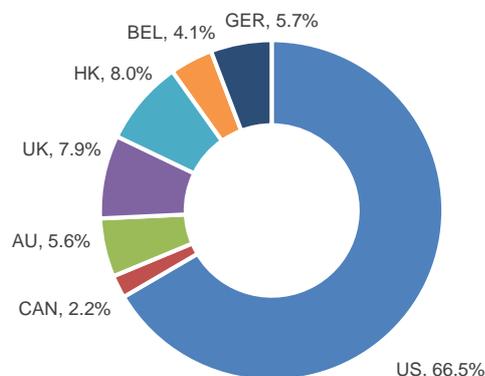
* Inception date is 30 July 2014¹

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

Quay Global Real Estate Fund

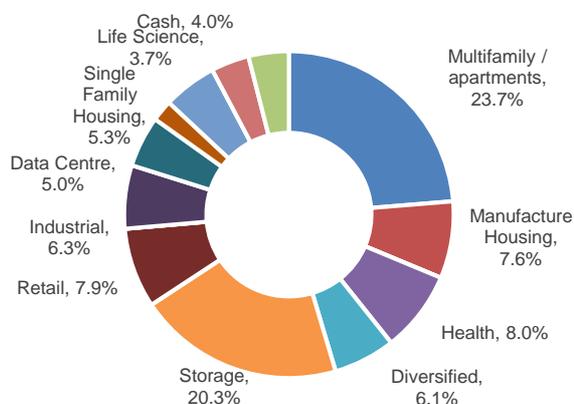
Monthly performance update

Geographic Weightings



As at 30 June 2020

Sector Weightings



How to invest

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

Platforms

Asgard (Infinity eWrap)	IOOF (IPS, Lifetrack, Portfolio Services, Pursuit Select, Employer Super, Super, Pension)
ANZ (Grow)	Mason Stevens
AON	MLC (Navigator, Wrap)
BT (Wrap, Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap)	Spitfire (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (IDPS)
Macquarie Wrap (IDPS, Super)	

Contact details

For more information, please call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit quayqi.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 Services on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.services@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.

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

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