

Quay Global Real Estate Fund

Monthly performance update

As at 31 January 2017

At a glance

Feature	Fund facts
APIR Code	BLF0020AU
Benchmark	CPI +5%
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	23
Portfolio value (\$M)	A\$5.9
Inception date	30 July 2014
Recommended investment period	Long term (five plus years)
Minimum investment	A\$20,000
Additional Investment	A\$5,000
Buy/sell ⁽⁴⁾	0.9685/0.9632
Entry/exit fees	Nil
Distributions	Bi-annual
Net asset value per unit ⁽³⁾ ex-distribution	0.9656
Fund expenses ⁽¹⁾⁽²⁾	0.90%

Market Commentary

Reality began to clash with expectations in January as the new Administration took charge in the US. Financial markets priced in US stimulus and tax cuts, yet the first two weeks of the Trump presidency focused on its populist agenda. Some concerns are mounting that political capital will be spent on immigration and foreign policy issues, leaving little in the tank for economic stimulus.

As such, the US dollar weakened, driving global equities total return into negative territory: -2.4% in AUD terms. The local market declined a more sedate -0.8%, as resources prices continue to support mining stocks. Global real estate retraced -4.1% (most of which was currency related).

The 'reflation' trade is very much a global consensus call. Most sell-side strategists have remarkably similar expectations, which is generally a time to be cautious. We believe there is plenty of room for disappointment on this point. Having said that, our focus tends to be less cyclical. We continue to seek investment opportunities with long-term secular tailwinds back by demographics or other structural

changes. This allows us to ignore the short-term noise and focus on longer-term returns.

Monthly Fund Commentary

The Quay Global Real Estate Fund returned -3.8% for the month; comprising -0.3% in stock performance, while the stronger AUD deducted -3.5%. The local currency is benefiting from higher commodity prices that are more than offsetting what appears to be a weakening domestic economy. Time will tell which of these opposing forces will drive the AUD long-term.

The largest contributors to monthly returns were Hysan Development (Hong Kong) and Safestore (UK). Laggards included Cubesmart (US) and LifeStorage (US).

During the month, a number of investees reported year-end results and provided an outlook for the year. To date results have been in line with expectations, which will mean earnings will have increased by +6% (on average) across our investees for CY2016.

Early earnings guidance is a little lower than expected, however this sometimes reflects management conservatism. We currently expect earnings growth of 7-8% across the Fund for 2017, decelerating to 5% in 2018. The average FFO multiple across investees is around 17.8 times.

Global Real Estate Commentary

Global real estate declined -4.1% for the month in AUD terms, with around 3.5% attributed to a rising AUD and weakening USD. The UK (+6.4% in local terms) and Canada (+3.3%) were among the best performers, while Singapore (-6.6%) and New Zealand (-4.3%) were among the worst.

Performance⁽⁶⁾

Timeframe	Fund return (net)	Index**
1 month	-3.78%	-4.10%
3 months	+1.28%	+0.88%
6 months	-8.52%	-8.38%
1 Year	-0.75%	+1.86%
2 Years (p.a.)	+3.61%	+0.74%
Since inception (p.a.)*	+15.08%	+10.95%

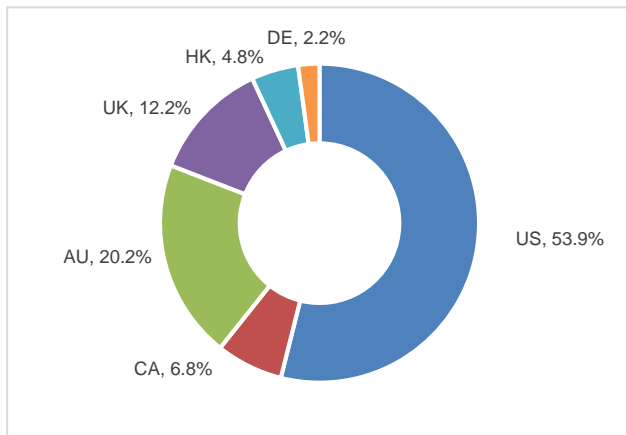
Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax

* Inception date is 30 July 2014

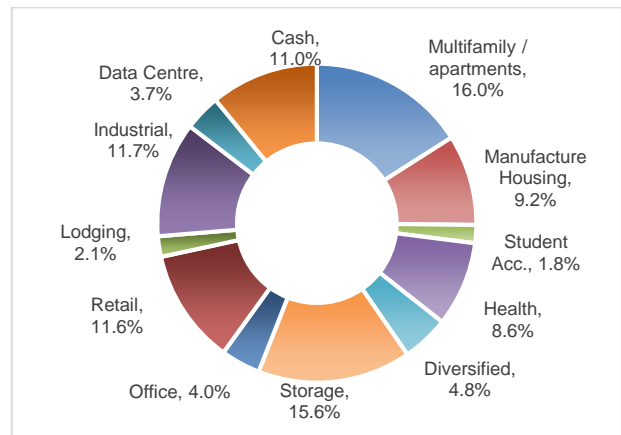
** FTSE/EPRA NAREIT Developed Index Net TR AUD⁽⁵⁾

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Geographic Weightings



Sector Weights



Contact details

For more information, call 1800 895 388 or visit quaygi.com

Footnotes

- 1) Fund expenses included a management fee of 0.80% per annum on net asset value, plus fund expenses capped at 0.10% per annum. All fees are quoted are exclusive of GST. For more information, please refer to the Product Disclosure Statement dated 1 February 2017 (ARSN 610 224 381).
- 2) Expenses include the potential of performance fee. Any performance fee payable is equal to 15% of the excess return over the greater of CPI or the FTSE/EPRA NAREIT Developed Index (net) Total Return (AUD). For more information, please refer to the PDS.
- 3) Quoted returns represent net performance after all management fees, expenses, accrued performance fee (if any) and taxes and reflect units Issued under the Product Disclosure Statement dated 1 February 2017 (ARSN 610 224 381).
- 4) Adjusted for expected withholding taxes.
- 5) Source: FTSE International Limited ("FTSE") © FTSE [year]. "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.
- 6) Please note that performance data for the Fund is historical data based on the Series 1. For those who are invested in the Daily Series please contact Client Services (1800 895 388 or client.services@bennelongfunds.com) to request your performance history.

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

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