

Quay Global Real Estate Fund

Monthly performance update

As at 28 February 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	24
Portfolio value (\$M)	A\$6.3
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 ⁽³⁾	0.9983/0.9928
Entry/exit fees	Nil
Distributions	Bi-annual
Fund expenses ⁽¹⁾⁽²⁾	0.90%

Market Commentary

The so-called 'Trump rally' showed no sign of slowing during February as risk assets remained well bid throughout the month. Bond yields eased across most geographies as weak inflation and wage growth data added some concern inflation will be harder to achieve than first thought.

The USD strength continued, with the AUD being the other major currency performer. Notwithstanding a strong AUD, global equities managed to return +1.5% for the month, slightly underperforming Australian equities +2.2%. Elevated prices for commodities saw a big lift in local profits supporting the ASX. And economic indicators surprised on the upside providing additional support for the AUD.

Monthly Fund Commentary

The Quay Global Real Estate Fund returned +3.1% for the month; comprising +4.4% in stock performance, while the stronger AUD deducted -1.3%. The local currency has proven to be a major headwind for Fund performance over the past 12 months. In local currency terms, total Fund returns have been +13.9%, however the strong 12 month rally in AUD has reduced reported AUD returns to +4.8%.

It is important to put these returns into some context. While the annual Fund return has been slightly below our long-term target of CPI +5%, many of our underlying stocks have performed strongly and are at or near all time highs (supporting the +13.9% local currency returns over the past 12 months). As such we currently hold around 10% of fund assets in cash as we seek better entry prices, or new opportunities.

Reporting season is now largely behind us. Most of our investees reported earnings generally consistent with our expectations. However the outlook for some companies reflected some caution. Pockets of excess supply are emerging, particularly in the stronger economies (US and Australia). As a result portfolio weights have shifted marginally towards Europe and the UK. We remain on the look-out for more opportunities in these geographies.

For the month the largest contributors to returns were Stag Industrial (up +12% in local currency terms) and Equity Lifestyle Properties (US). The smallest contributors (mainly due to their low portfolio weights) were RLJ Lodging (US) and Camden Living (US).

Global Real Estate Commentary

Global real estate returned +1.8% for the month in AUD terms, with around 3.2% in underlying stock returns, while the stronger AUD deducted -1.4%. The performance largely mirrored that of global equities. The best performing subsectors were the Healthcare (+6.5%) and Industrial REITs (+5.0%). Retail / Malls (+0.8%) remain among the worst performing sectors, as sentiment weighed on retail bankruptcies and the long-term e-commerce threat. The trend is clear – either own best in class Malls, or don't own them at all. For more reading on Retail / Malls please refer to our previously published thoughts [here](#).

Performance

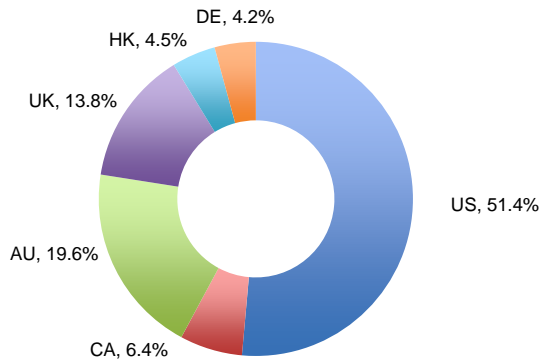
Timeframe	Fund return (net) ⁽⁵⁾	Index**	Value Add
1 month	+3.1%	+1.8%	+1.3%
3 months	+5.3%	+2.5%	+2.8%
6 months	-3.5%	-5.3%	+1.8%
1 Year	+4.8%	+4.3%	+0.5%
2 Years (p.a.)	+6.0%	+2.2%	+3.8%
Since inception (p.a.)*	+16.0%	+11.4%	+4.6%

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

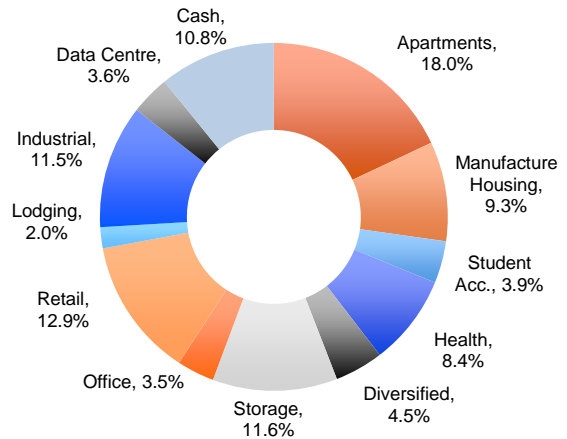
** FTSE/ EPRA NAREIT Developed Index Net TR AUD⁽⁴⁾

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Geographic Weightings



Sector Weights



Contact details

For more information, call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit quayqi.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) Adjusted for expected withholding taxes.
- 4) 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
- 5) 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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