

Quay Global Real Estate Fund

Monthly performance update

As at 31 May 2017

At a Glance

Feature	Fund facts
APIR Code	BFL0020AU
Index	FTSE/NAREIT Developed Index
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\$8.1
Inception date	30 July 2014 ⁽¹⁾
Recommended investment period	Long term (five plus years)
Minimum investment	A\$20,000
Additional Investment	A\$5,000
Buy/sell ⁽²⁾	1.0553/1.0495
Entry/exit fees	Nil
Distributions	Bi-annual
Fund expenses ⁽³⁾	0.90%

Market Commentary

Markets experienced relatively little volatility during the month of May, as recent European elections failed to deliver another Brexit / Trump style result, and most global economic indicators generally remaining consistent with overall expectations.

Global equity markets performed well, up +2.5% for the month, mostly driven by stock performance. Conversely, macroeconomic concerns are beginning to weigh on the Australian market. The recently announced 'bank tax', retracement of key commodity prices, and a louder chorus of concern about local residential property prices drove the local market down -2.8%.

Like most weathervanes, local commentators have swung in the direction of the most recent events. According to Bloomberg, despite a growing consensus early this year the next local interest rate movement was 'up' expectations have now reversed somewhat with markets now assigning a small probability of another interest rate cut later this year.

None of which is surprising to us. Our long-term expectation is Australian interest rates will trend toward 0% over the next three to five years. For detailed analysis on this point, please refer to our 2015 publication of investment

perspectives: [A case for Australian Interest rates to approach zero.](#)

Monthly Fund Commentary

The Quay Global Real Estate Fund delivered a +1.8% return for the month, with approximately +1.1% derived from underlying investment performance, while a weaker AUD added +0.7%.

Leg Immobilien (German residential property) and Hispania Activos (Spanish Diversified) were among the strongest contributors to the month's total return. Store Capital (US) and our recently purchased exposure Brixmor (US) were the laggards.

Brixmor had fallen significantly prior to our purchase, and has continued to fall this month. While it may feel like we have tried to 'catch a falling knife', the recent operating results of the company were satisfactory. Same store rent growth advance +3.2% for the quarter, and occupancy continues to improve. Unlike Malls, Brixmor has little exposure to department stores, fashion, electronics, books or other 'ecommerce sensitive' sectors. Largely grocery / pharmacy / services anchored, the top four listed tenants have an average market capitalisation of US\$83bn. The portfolio generates grocery sales of \$550 per foot – around 36% higher than the national average. The company is well supported by the capital market recently issuing seven-year notes at an all in rate of 3.7%. We feel the recent sell off is unwarranted and have been adding to our exposure.

Global Real Estate Commentary

Global real estate returned +1.3% for the month of May, with approximately +0.4% from stock performance and a slightly weaker AUD adding a further +0.9%. Geographically, Japan and Germany were the strongest performers, while the US and Australia underperformed.

Performance

Timeframe	Fund return (net) ⁽¹⁾	Index**	Value add
1 month	+1.8%	+1.3%	+0.5%
3 months	+5.7%	+3.7%	+2.0%
6 months	+11.3%	+6.3%	+5.0%
1 Year	+1.5%	+0.3%	+1.2%
2 Years (p.a.)	+8.6%	+4.7%	+3.9%
Since inception (p.a.)*	+16.7%	+11.7%	+5.0%

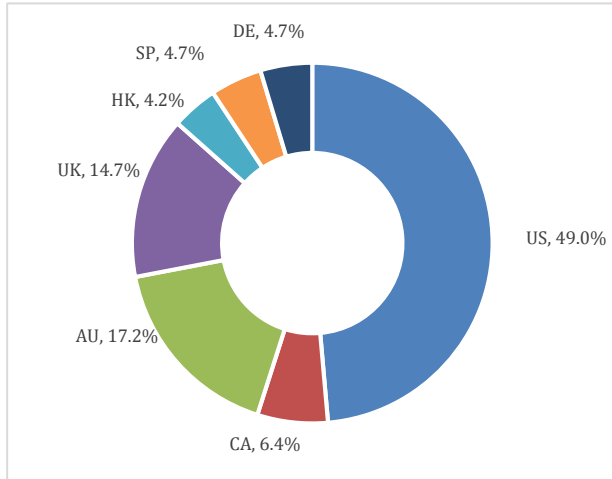
Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax

* Inception date is 30 July 2014⁽¹⁾

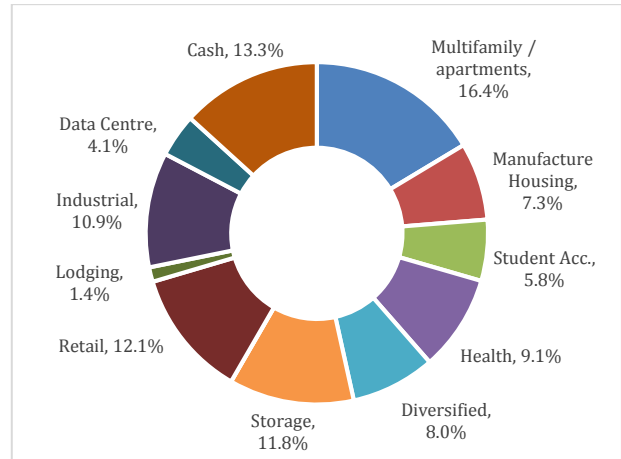
** FTSE/ EPRA NAREIT Developed Index Net TR AUD⁽⁴⁾

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Geographic Weightings



Sector Weights



Contact details

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

Footnotes

- 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 by the team 30/7/2014. Please note that performance data for the Fund is historical data based on the Series 1 strategy. 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) 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). 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.
- 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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