

Global Real Estate Fund

Monthly performance update

As at 31 July 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	25
Inception date	30 July 2014 ⁽¹⁾
Recommended investment period	Long term (five plus years)
Minimum investment	A\$20,000
Additional Investment	A\$5,000
NAV ⁽²⁾	0.9850
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Fund expenses ⁽³⁾	0.90%

Market Commentary

Once again it was central bank commentary that set the tone for markets. At the start of the month the Chair of US Federal Reserve commented that the US economy is healthy enough for the Fed to proceed with plans to raise rates and begin winding down its massive bond portfolio. What caught the markets attention, however, was the comment that low inflation and in particular a low neutral rate may leave the bank with diminished leeway. This was a sign to the market that interest rates may not have much further to rise and the catalyst for equities to rally and for the US dollar to weaken.

Of further relevance to Australian investors was the release of the RBA's July board meeting minutes a little later in the month. Within, it was noted that the members had discussed the neutral nominal cash rate being 3.50%. Compared to the current rate of 1.50%, this was enough to give the Australian Dollar a big rise against most currency crosses and against the USD sent it through \$0.80.

Despite many economists decreeing the RBA members got it plainly wrong, comments by the Deputy Governor down-

playing the significance of the neutral rates comments and warnings from the RBA that continued AUD strength is likely to subdue inflation and weigh down growth and employment, the AUD finished the month near its highs at US\$0.7971.

For unhedged international equity strategies this has been headwind for performance. For the month, global equity markets returned -1.6%, Australian equities -0.01% and global real estate -2.2%.

Monthly Fund Commentary

The Quay Global Real Estate Fund delivered a -1.3% return for the month, with approximately +1.6% derived from underlying investment performance, while the stronger AUD detracted -2.8%.

Brixmor (US Retail), Hispania (Spain Diversified) and CyrusOne (US Data Centres) were the biggest positive contributors to the month's total return.

The biggest detractors for the month were Ventas (US Healthcare), Pure Industrial (Canada Industrial) and Mid America Apartments (US Multi-family) with no new news of note.

Global Real Estate Commentary

Global Real Estate returned -2.2% for the month of June, with approximately +0.8% from stock performance and a slightly stronger AUD detracting -3.0%. Geographically, Sweden, Spain and Singapore were the strongest performers while the US was the laggard (principally because of US currency weakness).

Performance

Timeframe	Fund return (net) ⁽¹⁾	Index**	Value add
1 month	-1.3%	-2.2%	0.8%
3 months	-1.5%	-3.1%	1.6%
6 months	5.4%	1.0%	4.4%
1 Year	-3.6%	-7.5%	3.9%
2 Years (p.a.)	4.0%	0.6%	3.4%
3 Years (p.a.)	14.8%	9.6%	5.2%
Since inception (p.a.)*	14.4%	9.4%	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⁾

The end of the month represented a significant milestone in the lifecycle of Quay Global Investors and the Quay Global Real Estate Fund by achieving three years of investing track record. Such time frame is seen by many in the industry as a

Global Real Estate Fund

Monthly performance update

benchmark with which to display investing skill. While recent returns have been difficult (manly due to a stronger AUD, which we see as temporary), longer term returns have been pleasing.

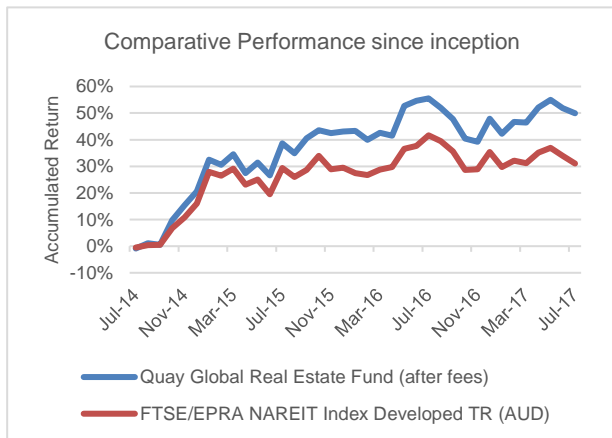
As at 31 July, our per annum total return after fees and costs, since inception has been +14.4%, which is +5.0% p.a. compared to the index return and well ahead of our CPI +5% p.a. total return target we set ourselves.

When we conceived the business in 2013, the thesis was that global real estate is an attractive investment asset class, however the offerings in the market weren't delivering on that potential. Our analysis indicated that our peers were in almost all instances benchmarking against an index and on average failing to meet those returns.

Our solution was to design a product around a philosophy of protecting our investor's capital and purchasing power against inflation through a focus on total returns and a long term investment objective of CPI + 5% p.a. Through analysis, we also decided that a relatively concentrated strategy of 20-40 investees would provide enough diversity without diluting our best ideas. In addition, we felt that for an Australian investor, an unhedged currency strategy would provide lower longer term risk given the tendency for the AUD to sell off in times of major risk events. Importantly, we do not cloud our investment decisions by referencing the index when identifying opportunities, nor as part of our investment process or selecting the investments of the portfolio.

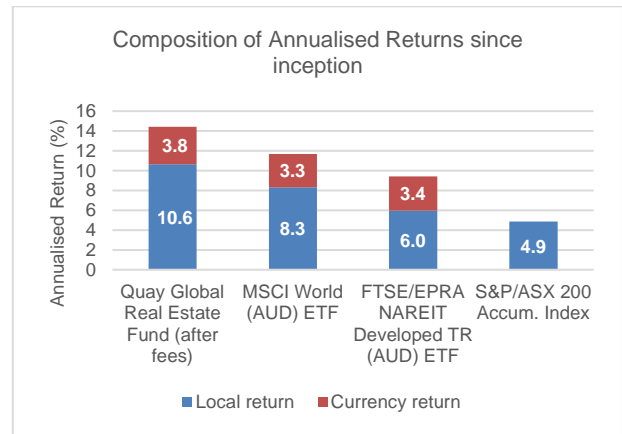
It was our belief that if we stuck to our knitting, we would be able to deliver attractive risk-adjusted long-term returns that, in all likelihood, would be superior to the index and those peers that benchmark the index.

We believe this is evidenced in the following charts.



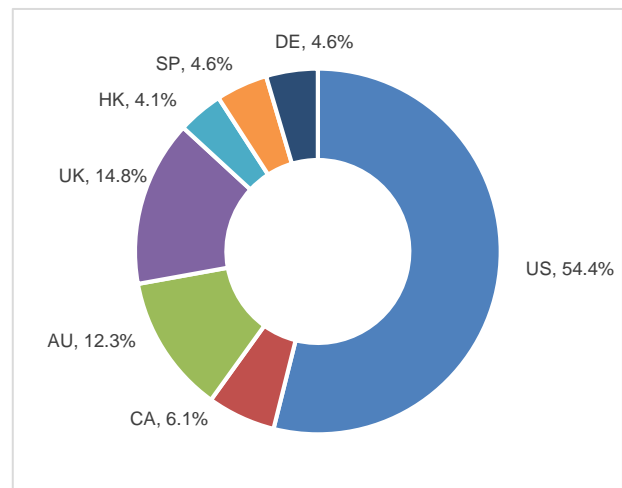
Source: Quay, Bloomberg LLC

As at 31 July 2017

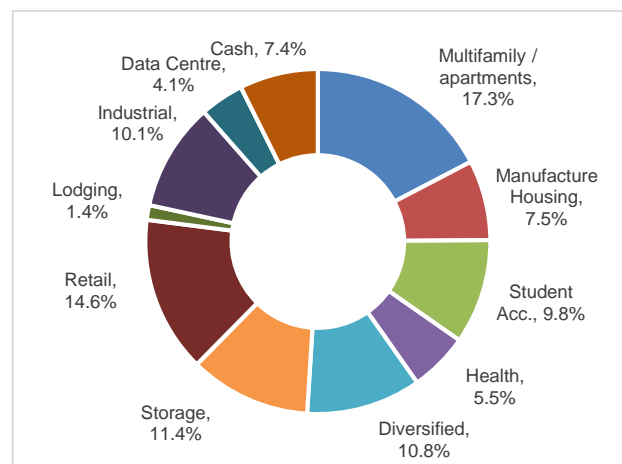


Source: Quay, Bloomberg LLC

Geographic Weightings



Sector Weights





Global Real Estate Fund

Monthly performance update

As at 31 July 2017

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.

Disclaimer: This information is issued by Bennelong Funds Management Limited (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Quay Global Real Estate Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at 31 July 2017. Quay Global Investors (ABN 98 163 911 859) is a Corporate Authorised Representative of Bennelong Funds Management Limited (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 200692.