

Quay Global Real Estate Fund

Monthly performance update

As at 31 August 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 (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV ²	0.9948
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

Risk markets performed well during the month of August, as Global Equities delivered +0.8% total return (measured in AUD). The return was assisted by the Australian dollar giving up some recent gains; however, US and global equity markets in general remain buoyant.

This is in contrast with currency and bond markets, both of which are showing signs of giving up on the 'reflation trade' that was so popular earlier this year. US bond yields finished the month near their 2017 lows of 2.1%. Similarly, the US dollar index finished the month near its 2017 lows. It seems currency and bond markets do not expect the growth initiatives promised by the Trump administration are likely to eventuate; yet equity markets still appear optimistic. Both cannot be right, and some adjustment can be expected.

Another issue driving currency and bond markets continues to be the complete lack of inflation in most developed markets. Despite ongoing job growth in the US and broader recovery in Japan and Europe, inflation continues to print well below central bank targets. For some time we have believed the expectation of normalised inflation and interest rates is somewhat misguided. For more on this, see our paper [Beware of the reflation trade](#) (published April 2017).

Closer to home, domestic equities grinded higher by 0.7%, despite what seems to be a patchy domestic reporting season.

Fund Commentary

The Quay Global Real Estate Fund delivered a +0.9% return for the month, with approximately +1.0% derived from underlying investment performance. Currency played very little part in performance.

The biggest contributors for the month were Store Capital (US) and CyrusOne (US), while Scentre Group (Aus) and Safestore (UK) were the laggards. The portfolio remained broadly unchanged during the month.

It is worth highlighting that over the past two years the local currency has acted as a significant headwind for AUD reported returns. In fact, on a constant currency basis, total per annum returns for the Fund have been +9.8%, with currency deducting almost 4% per annum. Over time we believe currency has a diminished impact on total returns due to their 'mean-reverting' nature. Having said that, we believe there is an argument for a significantly lower AUD over time. For more, see this month's Investment Perspectives article: [Australia, the lucky country \(or is it?\)](#)

Global Real Estate Commentary

Global Real Estate returned +0.8% for the month of August, almost all of which (+0.6%) was from stronger foreign currency (particularly the yen and euro). Geographically, Hong Kong and Germany were the best performers while Japan and the US lagged.

Performance

Timeframe	Fund return (net) ¹	Index ^{**}	Value add
1 month	+0.9%	+0.8%	+0.1%
3 months	-2.4%	-3.6%	+1.2%
6 months	+3.1%	-0.1%	+3.2%
1 year	-0.5%	-5.3%	+4.9%
2 years (p.a.)	+5.9%	+2.4%	+3.5%
3 years (p.a.)	+14.3%	+9.6%	+4.8%
Since inception (p.a.) [*]	+14.3%	+9.4%	+4.9%

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

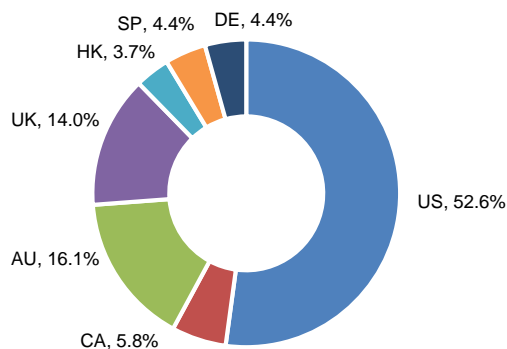
^{**} FTSE/ EPRA NAREIT Developed Index Net TR AUD⁴.

Quay Global Real Estate Fund

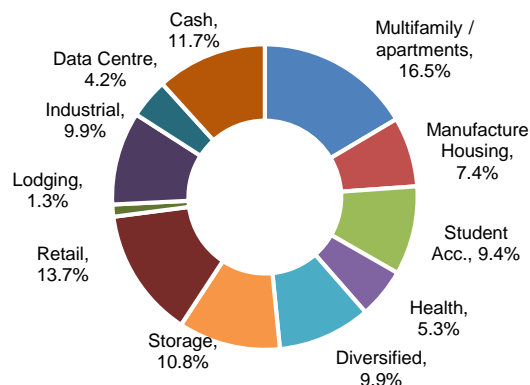
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Geographic Weightings



Sector Weightings



Contact

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 31/1/2016 (The Daily Series). Performance information before this date relates to the strategy (Series 1), which was launched 30/7/2014. 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 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).

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

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