

# Quay Global Real Estate Fund

## Monthly performance update

As at 31 March 2018

### 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
Inception date	30 July 2014 <sup>1</sup>
Recommended investment period	Long term (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV <sup>2</sup>	1.0292
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee <sup>3</sup>	0.82%

### Market Commentary

The seemingly endless climb of US equity prices came to a halt in March as a number of emerging headwinds curtailed investor enthusiasm.

First, there were concerns a white-house led trade war would act as a drag on world economic growth, although to date there seems to be more noise than action on this point. Second, it now seems the commercialisation of private surveillance systems (Facebook) may not be as enthusiastically embraced by the wider public as has been by shareholders. As a result, global equities delivered a negative 0.7% total return for the month, somewhat boosted by a +1.6% tailwind from a weak AUD.

[In December](#) we highlighted the regulatory risk of 'big tech' as a potential theme in 2018. For too long big tech has built barriers to entry for their respective industries, which is good for shareholders but bad for consumers (and voters). It appears investors are remembering US Congress has a 100+ year track record of dismantling monopolies, and it will be interesting to see how this plays out. Real estate can be boring, but it is rarely regulated out of existence.

### Fund Commentary

Global Real Estate returned +4.0% in March, with the US, Germany, and the UK the strongest contributors to returns.

The Quay Global Real Estate Fund delivered a +4.7% return for the month, with approximately +3.1% derived from our underlying stock exposure. A weaker AUD added to monthly performance, while the underlying stocks bounced back from heavy selling from the early months of the year.

Among our best performers were Essex Property Trust (US Multifamily), Leg Immobilien (German Housing) and Hispania Activos (Spanish Hotels). At the other end of the spectrum GGP (US Malls), Brixmor (US Shopping) and Hysan (Hong Kong Diversified) were the only three detractors to our monthly performance.

The performance of GGP Inc is unusual since the company received a revised offer from entities associated with its major shareholder (Brookfield), which has been endorsed by the independent take-over committee. Although the revised offer (~US\$22/share inclusive of scrip) leaves us a little underwhelmed, the timing of our purchase last year means we are still likely to generate a positive total return on our exposure. The wider implication of this transaction is the lack of alternative offers at what is seen as a depressed price that will have many analysts revising their NAVs for competing US Malls (and rightly so).

In other Fund news, shareholders in Pure Industrial REIT (Canadian Industrial) voted overwhelmingly to accept Blackstone's all cash offer of C\$8.10 per share. The price reflects ~5% capitalisation rate for the underlying real estate and around C\$1,600 per sqm in capital value, which in our view represents a very full price. We note the company was building new supply closer to C\$1,200 per sqm. Since the Blackstone offer we have been happy to hold this position as we continue to receive monthly dividends as well as the (small) possibility that a superior offer for the company could emerge. However, that prospect is diminishing by the day, and we expect to receive our cash late in the second quarter, representing 3% of Fund assets. The total (AUD) return on our investment since inception has been ~110%.

### Performance

Timeframe	Fund return (net) <sup>1</sup>	Index**	Value add
1 month	+4.7%	+4.0%	+0.7%
3 months	-2.1%	-2.7%	+0.6%
6 months	+2.5%	+1.2%	+1.3%
1 year	+7.3%	+2.7%	+4.6%
2 years (p.a.)	+5.0%	+2.2%	+2.8%
3 years (p.a.)	+5.3%	+1.4%	+3.9%
Since inception (p.a.) <sup>*</sup>	+13.1%	+8.4%	+4.7%

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<sup>1</sup>

\*\* FTSE/ EPRA NAREIT Developed Index Net TR AUD<sup>4</sup>.

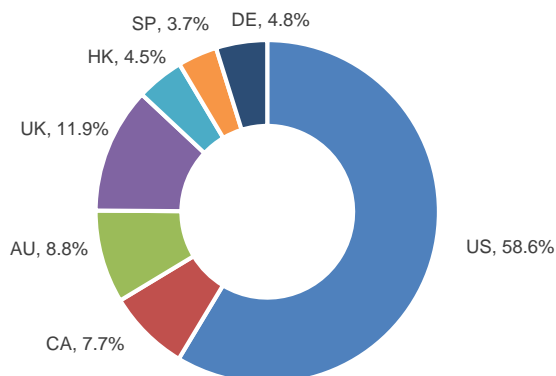


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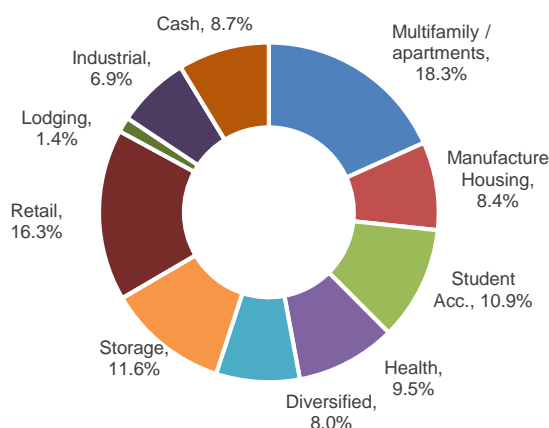
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### Geographic Weightings



### Sector Weights



### How to invest

The Fund is open to investors directly via the PDS (available at [quayqi.com](http://quayqi.com)), or the following platforms.

#### Platforms

AON

Hub24 (Super)

Macquarie Wrap (IDPS, Super, Accumulator)

Netwealth (Wrap Service, IDPS)

### Contact details

For more information, please call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit [quayqi.com](http://quayqi.com)

<sup>1</sup> 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. 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](mailto:client.services@bennelongfunds.com)) to request your performance history.

<sup>2</sup> Adjusted for expected withholding taxes.

<sup>3</sup> 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).

<sup>4</sup> 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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