

Quay Global Real Estate Fund

Monthly performance update

As at 30 April 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 ¹
Recommended investment period	Long term (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV ²	1.0695
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

Global equities recovered in April, returning +2.9% in AUD terms with approximately +1% from a weaker Australian dollar. The US continued to lead the developed world in terms of growth, with ongoing strength in jobs, retail sales and investment. We see much of this benefit via our investees as they provide first quarter updates this month. This is the other side of the 'rising interest rate' environment, and why real estate generally performs well at this point in the cycle. For more on this, see our paper [Do rising bond yields hurt global listed real estate](#).

Closer to home, the S&P/ASX 200 shrugged off local concerns regarding the Royal Commission into the financial services industry and delivered a +3.9% total return, effectively erasing year to date losses.

Notwithstanding share market optimism, we continue to see weakness in the local macro economy as national house price growth turned negative in April (on an annual basis[†]). As we anticipated last May in our paper [House prices and the law of unintended consequences](#), the combined effect of tighter lending standards and elevated supply is weighing on buyer sentiment. With the Royal Commission likely to

encourage additional lending restrictions and the bulk of supply yet to be delivered and settled, the outlook for residential property is less than sanguine. This will surely have a knock-on effect for consumer confidence and eventually the wider economy. Accordingly, at Quay we still believe Australian interest rates, in time, could reach zero ([read the full analysis](#)). Perhaps global investors are beginning to see the same risks, as reflected in the recent \$A weakness.

Fund Commentary

The Quay Global Real Estate Fund returned +4.2% for the month, assisted by a stronger US dollar and slightly weaker Australian dollar. As previously mentioned, currency can act as both a tailwind and headwind to short-term performance, so we encourage investors not to focus too much on near-term results. That being said, it is worth noting the AUD/USD is unchanged over the past 12 months, during which time the Fund has met its investment objective of CPI + 5% – and all the while the US continues to increase interest rates.

During the month one of our investees, Hispania Activos, attracted an unsolicited bid from entities associated with Blackstone. The offer price of €17.45 compares well to our entry price of €11.85 last year, but management are sensibly seeking a better outcome for investors. We will continue to hold our position, knowing our downside is limited with the option of additional returns.

We now have three investees under formal takeover offer (from our portfolio of 24) and while we believe some of this reflects the strength of our investment process, we also believe the disconnect between listed and unlisted values has encouraged private capital to initiate privatisations. Unless listed real estate prices improve markedly from here (especially in the US), we expect this theme to be ongoing.

Performance

Timeframe	Fund return (net) ¹	Index ^{**}	Value add
1 month	+4.2%	+3.6%	+0.6%
3 months	+6.8%	+4.4%	+2.4%
6 months	+4.9%	+2.9%	+2.0%
1 year	+7.6%	+3.2%	+4.5%
2 years (p.a.)	+7.6%	+3.7%	+3.9%
3 years (p.a.)	+8.7%	+4.2%	+4.5%
Since inception (p.a.) [*]	+14.0%	+9.3%	+4.8%

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.

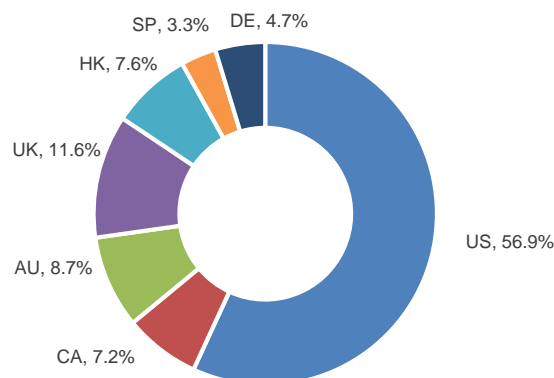
[†] Source: corelogic.com.au/research/monthly-indices

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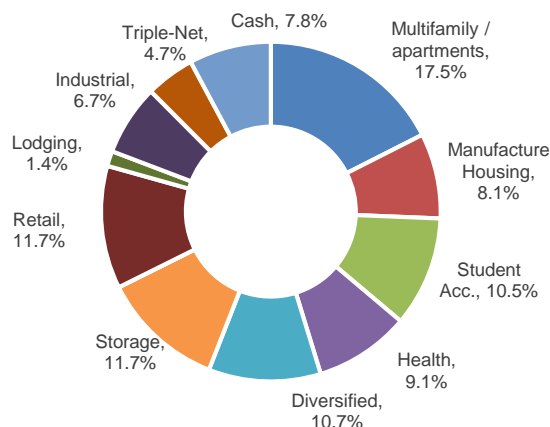
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Geographic Weightings



Sector Weightings



How to invest

The Fund is open to investors directly via the PDS (available at quaygi.com), or the following platforms.

Platforms

AON

Hub24 (Super)

Macquarie Wrap (IDPS, Super, Accumulator)

Netwealth (Super Service, IDPS)

Contact details

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

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.

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