

Quay Global Real Estate Fund

Monthly performance update

As at 31 May 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	1.0878
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

Global equities returned +0.4% (AUD) in May despite an approximate -1% headwind from a recovering Australian dollar. To date, investors appear to have shrugged off any significant concern regarding Italian and Spanish politics and the implications for the European monetary union.

The Australian equity market outperformed, returning +1.0% for the month. Local valuations appear to have been somewhat supported by a change in investor expectation regarding local interest rates. Earlier this year the consensus was for a lift in the official cash rate by December – this has now been pushed back as far as late 2019¹.

At Quay, we continue to expect the next move by the RBA is likely to be down with a general trend toward zero interest rate policy (ZIRP) over the medium term. And, as house prices continue to cool across the country, that expectation may soon become the new consensus.

Fund Commentary

The Fund maintained its recent performance momentum by returning +1.7% for the month, despite a -1% currency headwind. After a poor start to the CY2018 year, the Fund

has returned +11.0% for the past three months compared to +2.5% for global equities. Such a result may come as a surprise as the US federal reserve increased interest rates, signalled more rises, and US bond yields breached the 3% barrier. However, as we have noted in prior publications, movements in interest rates may affect short term performance for the Fund, but a strong economy is positive for real estate cashflows and valuations. Hence the Fund maintains a reasonable weight to the strongest developed economy – the United States.

The largest contributors to the Fund's performance included Educations Realty Trust (US student accommodation) and Stag Industrial (US Industrial). LEG Immobilien (German Housing) was one of the few detractors, having given up some recent gains.

Fund turnover remains very low and our top ten exposures have remained virtually unchanged for over 12 months. However, we were forced to make some changes this month as the take-over of Pure Industrial REIT was completed. We re-invested the proceeds across our preferred names and introduced a small position in data storage REIT, Coresite Realty Corp.

Global real estate delivered +1.3% total return supported by strong gains in the UK, Canada, and the US. On a relative basis the Fund benefited by avoiding weaker geographies including Japan and France.

More "take-privates" were announced this month including US lodging REIT La Salle Hotel Properties. Closer to home, Blackstone announced an all cash offer for Office REIT Investa Property Group. As discussed in last month's update, we believe a private capital will continue to look for opportunities while listed valuations (especially in the US) remain disconnected to the direct (private) market, which we believe in turn will drive more transactions.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	+1.7%	+1.4%	+0.3%
3 months	+11.0%	+9.2%	+1.8%
6 months	+2.4%	+0.5%	+1.9%
1 year	+7.5%	+3.2%	+4.3%
2 years (p.a.)	+4.5%	+1.8%	+2.7%
3 years (p.a.)	+8.2%	+4.2%	+4.0%
Since inception (p.a.)*	+14.2%	+9.5%	+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.

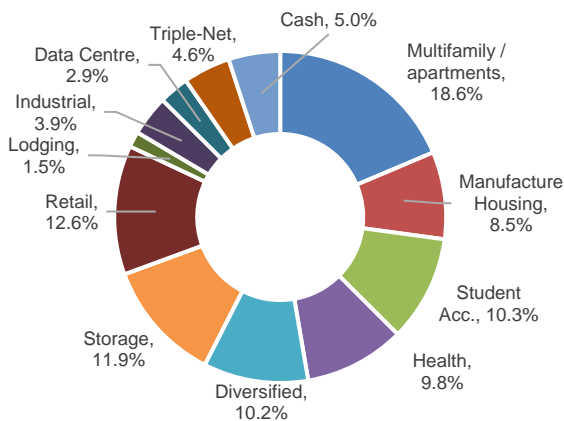
¹ Source: <https://www.businessinsider.com.au/rba-reserve-bank-interest-rate-outlook-shift-in-markets-2018-5>

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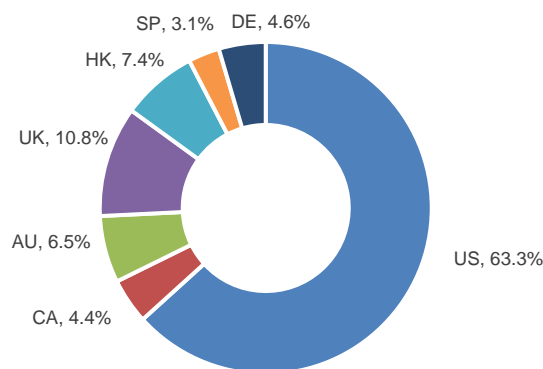
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Sector Weightings



Geographic 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)

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.

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

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