

# Quay Global Real Estate Fund

## Monthly performance update

As at 31 July 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>	1.1229
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee <sup>3</sup>	0.82%

### Market Commentary

Global equities returned +2.5% (AUD) in July despite a weaker USD (stronger AUD) deducting 0.7% from local returns. Rising trade tensions, particularly between the US and China, seem to have had more of an impact on the Chinese market than the US. However, that may not last – the IMF has warned the imposition of tariffs consistent with the current rhetoric may crimp global economic growth by -0.5% by 2020.

In other economic developments, US CPI surged to +2.9%, the highest in six years, while the US economy expanded by +4.1% as the fiscal stimulus added to an already strong economy. New jobs continue to surge (good for almost all forms of real estate) as previously discouraged workers return to the workforce.

UK CPI increased by +2.4% as retail sales grew at the fastest pace since 2015, although house price growth continues to moderate. In Canada, the Central bank lifted interest rates 25bps to 1.5% as the recent rebound in the oil price supports the economy.

On balance, the world economy, led by the US, is in good shape. However as always, the risks are real. US politics (Russian investigation), tariffs, inflation and geopolitical tensions can derail sentiment. For the time being however, markets are unfazed.

### Fund Commentary

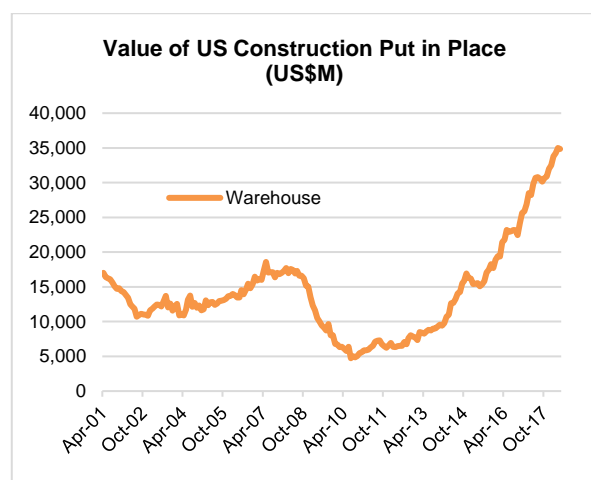
The Fund delivered a -0.3% total return, with a local (before currency) return of +0.4% from our underlying investees. Our recent investee Empiric Student Property (UK) was among the strongest contributors to our total return. Laggards include Cubesmart (despite a very strong operating result) and Scentre Group.

We find the market is somewhat divided on the prospects of Scentre Group. The threat of online retail, weak retail sales and high levels of household debt in Australia are often cited as major headwinds for the Group. However, as we detail in this month's [Investment Perspectives](#), for those prepared to take a longer-term investment horizon we believe Scentre is well positioned to deliver very attractive total returns with its uniquely positioned business model and high-quality assets.

We are currently in the midst of reporting season, and to date we have been satisfied with the results; most of our investees are meeting or exceeding expectations and lifting guidance. An emerging economic theme has been the sharp decline in new home sales in the US (an eight-month low) as rising construction costs and higher interest rates reduce affordability. Add to this the structural headwind of most young Americans not accessing credit due to high student loan balances, and it becomes clear the environment is ripe for the residential accommodation sector. We are beginning to see this play out in recent results with the Multifamily / Apartment REITs reporting a clear improvement in rental growth and occupancy. We are more than happy to remain long.

The robust US economy is also supportive of most other forms of real estate, especially malls (via retail sales), and office (jobs growth) where we have no exposure. While this may impact our near-term performance relative to an index, we are happy to avoid these markets due to their long-term structural headwinds and – in the case of office – rich valuations.

If there is any real estate sector to be impacted by trade and tariffs, it is likely to be industrial. However, the Fund's exposure is relatively small due to near euphoric valuations and a clear surge in new supply, particularly in the US (see below).



Source: BEA, Quay Global Investors

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### Performance

Timeframe	Fund return (net) <sup>1</sup>	Index**	Value add
1 month	-0.3%	+0.2%	-0.6%
3 months	+6.4%	+5.6%	+0.8%
6 months	+13.6%	+10.3%	+3.4%
1 year	+16.2%	+12.4%	+3.8%
2 years (p.a.)	+5.8%	+2.0%	+3.9%
3 years (p.a.)	+7.9%	+4.4%	+3.5%
Since inception (p.a.)*	+14.9%	+10.1%	+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>.

### How to invest

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

#### Platforms

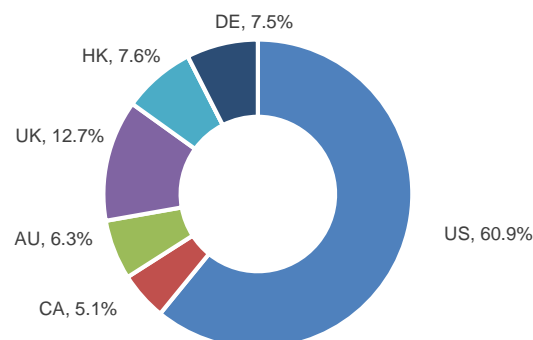
Hub24 Super

Macquarie Wrap

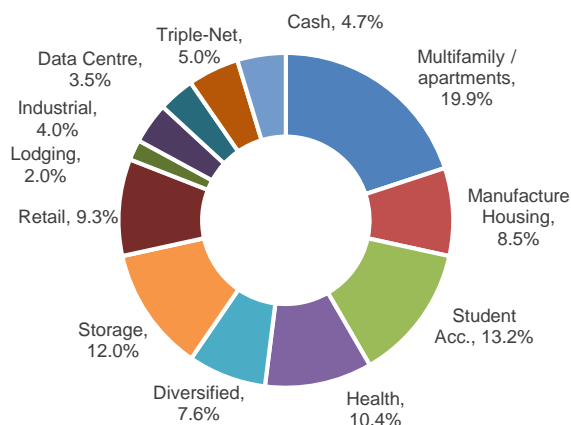
### Contact details

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

### Geographic Weightings



### Sector Weightings



<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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