

Quay Global Real Estate Fund

Monthly performance update

As at 30 April 2019

At a Glance

Feature	Fund facts
APIR Code	BFL0020AU
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	1.2594
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

Global equities finished the month strongly with a return of +4.5% (in AUD terms).

Driving the strength was the S&P500, up 5.0% and at new highs as 1Q19 earnings season generally saw positive results. Bloomberg reported that as at 30 April, 80% of all companies that had reported had exceeded analysts' estimates.

This contrasted with the International Monetary Fund downgrading its outlook for world growth for the third time in six months to 3.3%, its lowest level since 2009, citing that risks are skewed to the downside with a range of threats including unresolved trade wars and a no-deal Brexit as key.

Brexit news (or lack of) continued, with the deadline now pushed back to 31 October to avoid a no deal outcome, with a review of progress to be held in June.

Australian equities again rallied in April, up +2.4%, to be +13.5% YTD. As we remarked last month the upcoming Federal election, ongoing housing weakness and mixed economic growth are likely to weigh on sentiment in the near term. This sentiment took a further hit, with dovish Reserve Bank minutes and a disappointing 4Q18 CPI of 0.3% q/q and a headline rate of 0.0%. Consensus is now firmly that the next interest rate movement in Australia will be down – the debate now seems to be only around timing. This should come as no surprise to our regular readers, as [we predicted](#)

[this outcome](#) last year when consensus was still firmly in the camp of rate rises. Consequently, the AUD finished weaker against most major currencies.

In the absence of a meaningful fiscal response or a substantially lower AUD, we still believe there is a case to be made that [Australian interest rates are headed for zero](#).

Fund Performance & Review

The Quay Global Real Estate Fund delivered a positive return for the month of +0.6%, including a currency benefit of +0.8%. YTD the Fund has returned +14.7%, including a modest currency gain of +0.3%.

The largest contributors to returns were Safestore (UK Storage), Hysan (HK Diversified) and Unite (UK Student Accommodation). Detractors were Scentre (Aust Malls), LEG Immobilien (German Apartments) and Ventas (US Healthcare).

During April many of our US investees reported their 1Q19 results. Across the board these results have been pleasing for all our investees and represent a continuing trend of robust operating fundamentals against the backdrop of a healthy US economy.

One emerging theme remains the ongoing rise in construction costs, especially across the Northern Hemisphere markets. The compounding effect of 5-10% construction cost inflation per annum means many of our investees that we have owned since Fund inception have not only delivered outstanding total returns, but in many cases today are still priced well below the cost to build. This gives us confidence that our capital is relatively well protected for long term investors.

Higher replacement costs should, over time, restrict or delay supply, which combined with robust tenant demand, fosters a robust rental and subsequent net income growth equation and a generally attractive investment climate.

There were no changes to the Fund during the month.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	+0.6%	-0.4%	+1.0%
3 months	+7.2%	+5.7%	+1.6%
6 months	+12.3%	+11.5%	+0.7%
1 year	+20.9%	+17.6%	+3.4%
2 years (p.a.)	+14.1%	+10.1%	+4.0%
3 years (p.a.)	+11.8%	+8.1%	+3.7%
Since inception (p.a.)*	+15.5%	+11.0%	+4.5%

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

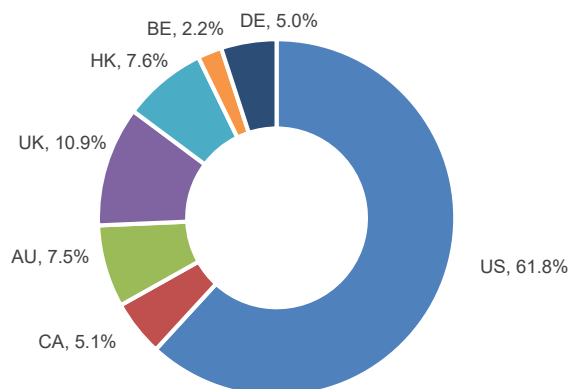
** FTSE/EPRA NAREIT Developed Index Net TR AUD⁴.

Quay Global Real Estate Fund

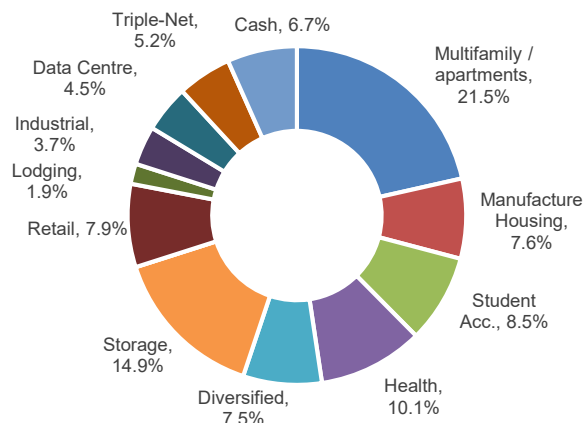
Monthly performance update

As at 30 April 2019

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	
ANZ (Grow)	MLC (Navigator, Wrap)
AON	Netwealth (Super Service, Wrap Service, IDPS)
BT (Wrap, Panorama)	Oasis (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (IDPS)
Macquarie Wrap (IDPS, Super)	

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 on 30 July 2014 by another trustee, and the above performance data relates to this strategy. Bennelong assumed responsibility as replacement trustee on 31 January 2016 – for performance history relating to this date, please contact Client Services on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.services@bennelongfunds.com.

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.

Disclaimer: This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Quay Global Real Estate Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at the date of this report. Quay Global Investors (ABN 98 163 911 859) is a Corporate Authorised Representative of Bennelong Funds Management Limited (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.