

# Quay Global Real Estate Fund

## Monthly performance update

As at 30 November 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	26
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>	1.3907
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee <sup>3</sup>	0.82%
Performance Fee	15.375% of the excess return over the greater of CPI and the FTSE/EPRA NAREIT Developed Index (net) Total Return (AUD)

### Fund Performance & Review

The Quay Global Real Estate Fund delivered a return of +1.1% for November assisted by a +1.6% currency tailwind, predominately from a weaker Australian dollar.

Our exposure to HK continues to be a mild drag on performance. Our investees screen amongst the cheapest across our investment universe, obviously for good reason. We believe our exposures offer a good risk / reward pay-off for patient investors willing to look past the current noise.

Notwithstanding the issues in HK, our worst performers were our US Healthcare investees – largely due to the emerging confidence in the US economy (and therefore investors shying away from classic defensive exposures). This returning confidence assisted global equity markets during the month (see below for more detail).

Our best performing region for November was the UK as investors took comfort in Prime Minister Johnson's call for a general election on December 12. Perhaps after 3 ½ years there can be some certainty regarding Brexit.

The portfolio remained largely unchanged in November, although we have taken the opportunity with recent Fund flows

to increase our weight to cash. While we have been topping up on some of our underperformers, we see no urgency to chase our recent 'winners'. The low interest rate environment and the subsequent search for yield is creating distortions across listed real estate valuations and the easy gains are now behind us. Notwithstanding, we remain comfortable the portfolio is well positioned to deliver on our mandate.

For investors gaining comfort that a low interest rate world will continue to support equity valuations (including REITs), we encourage you to refer to this month's [Investment Perspectives](#), where we review the lessons learnt from the 30 year performance of the Japanese equity market.

### General Market Commentary

Global Equities surged +4.7%, including a +3.2% return from stocks on a constant currency basis. During November the main US indices continued to hit new all-time highs.

Our observation is that investors appear to have shrugged off any imminent US economic downturn (remember the dreaded inverted yield curve?), and we have returned to expecting the classic 'goldilocks' economy – that is, low inflation, low interest rates, and a world economy that continues to muddle through. As has been the case since 2010, this combination proved to be very supportive of stocks.

The local market appeared to benefit from the global appetite for risk assets, returning +3.3% for the month. Australian REITs continue to attract interest from local investors searching for yield, although we believe most valuations are nearing eye-watering levels. In the fashionable sectors (Office / Industrial) direct property transactions now routinely trade well above replacement cost (always a worrying sign), and in turn, REIT share prices trade above same valuations. At some point these valuations will unwind back to (or below) cost. The losses are likely to be significant; only the timing is uncertain.

### Performance

Timeframe	Fund return (net) <sup>1</sup>	Index**	Value add
1 month	+1.1%	+0.6%	+0.5%
3 months	+2.8%	+3.2%	-0.4%
6 months	+9.7%	+10.2%	-0.6%
1 year	+24.9%	+23.7%	+1.2%
2 years (p.a.)	+16.5%	+14.1%	+2.4%
3 years (p.a.)	+16.6%	+12.4%	+4.2%
5 years (p.a.)	+13.8%	+10.6%	+3.3%
Since inception (p.a.)*	+16.0%	+12.0%	+4.0%

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>

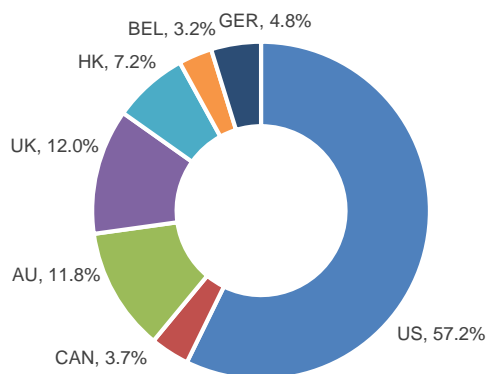
\*\* FTSE/ EPRA NAREIT Developed Index Net TR AUD<sup>4</sup>.

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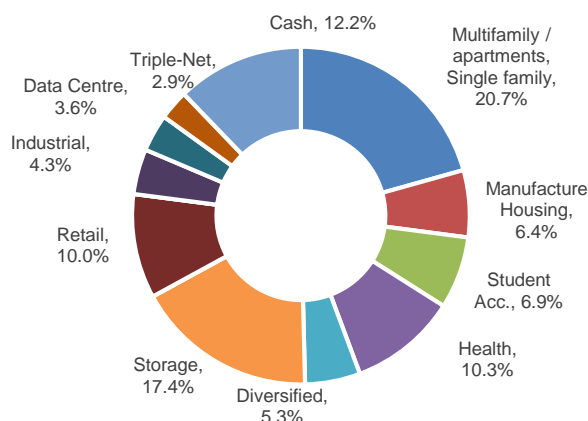
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### Geographic Weightings



### Sector Weightings



### 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

ANZ (Grow)	Mason Stevens
AON	MLC (Navigator, Wrap)
BT (Wrap, Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap)	Oasis (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (IDPS)
Macquarie Wrap (IDPS, Super)	IOOF (IPS, Lifetrack, Portfolio Services, Pursuit Select, Employer Super, Super, Pension)

### Contact details

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

<sup>1</sup> 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](mailto:client.services@bennelongfunds.com).

<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.

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