Quay Global Real Estate Fund

Monthly performance update

As at 31 January 2020

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[1]
Recommended investment period	Long term (5+ years)
Minimum investment	A$20,000
Additional investment	A$5,000
NAV[2]	1.4064
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee[3]	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)

General Market Commentary

Global equities began the year strongly as investors' enthusiasm from what appeared to be a trade deal between China and the US (Phase 1) pushed stocks meaningfully higher. By month end however, equities gave up most of their early returns as fears relating to the Coronavirus impacted markets. For the month, global equities declined slightly in local currency terms (-0.6%), but this was more than offset by a weak Australian dollar and returns for Australian investors posted an impressive +4.4%.

Closer to home, Australian equities performed strongly, up 4.9% without the benefit of currency gains (at least not directly) – this was an impressive performance.

Stories of a "tough Christmas" are again dominating the front page of most business papers (websites), but the weak consumer environment does not seem to be impacting local enthusiasm for equities. It feels more rate cuts are expected – at least by equity investors.

Fund Performance & Review

The New Year started well for our investors with the Quay Global Real Estate Fund posting a solid +5.2% return for the month. We wish we could attribute the performance to skills, but much of the return was derived from currency gains (+4.3%), and general market buoyancy across global listed real estate. Indeed, for those that prefer to measure our performance relative to the index (we don't) we underperformed by 0.7%.

Our relatively high weight to Hong Kong was again a headwind for performance. It seems that the region can't take a trick. Strong currency, political turmoil, protests, and now fears that the Coronavirus will further impact the local economy have all conspired to see most of our Hong Kong names trade meaningfully lower during the month. It is therefore no surprise that our worst performing stocks were from this region (Wharf REIC the biggest drag).

But while we carefully watch current events unfold, we refuse to panic and sell out of positions that on almost any measure are very cheap (if taking a long-term perspective).

On a more positive note, our overall return was boosted at the stock level by some of our highest conviction investments, including our exposure to German Residential specialist LEG Immobilien. As a reminder to our readers, this was a sector largely out of favour mid-2019 as fears of over regulation curtailing rental growth severely impacted LEG's (and their peer's) share prices. We believed the fear was overstated (particularly for LEG) and remained disciplined at the time to not only retain the position but increase its weight. At month end, LEG is back near all-time highs. We expect the same rewards are on offer for our Hong Kong positions so long as we remain patient.

Year-end results kicked off in January (mainly US companies). To date there have been no surprises (positive or negative), and the general commentary suggests that the US economy continues to expand at a "goldilocks" pace. Fears of more retail bankruptcies (particularly Forever 21) have had a significant impact on US Mall REITs, which were down 10.9% for the month. We continue to have zero exposure to US Mall REITs. Some of the leading names in this space appear cheap, but the fact that these companies continue to struggle in what has been a good consumer economy makes us fear what the Mall sector would be like in a weaker environment? The reality is there is simply too much Mall space in the US, and we believe it will take many years to rationalise.

Performance

Timeframe	Fund return (net)[1]	Index**	Value add
1 month	+5.2%	+5.9%	-0.6%
3 months	+2.9%	+3.0%	-0.1%
6 months	+9.6%	+10.2%	-0.5%
1 year	+21.8%	+20.7%	+1.0%
2 years (p.a.)	+21.1%	+18.5%	+2.6%
3 years (p.a.)	+16.5%	+13.1%	+3.5%
5 years (p.a.)	+11.2%	+7.9%	+3.2%
Since inception (p.a.)*	+15.8%	+12.1%	+3.8%

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 2014[1]

** FTSE/ EPRA NAREIT Developed Index Net TR AUD[4].

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QUAYglobal INVESTORS

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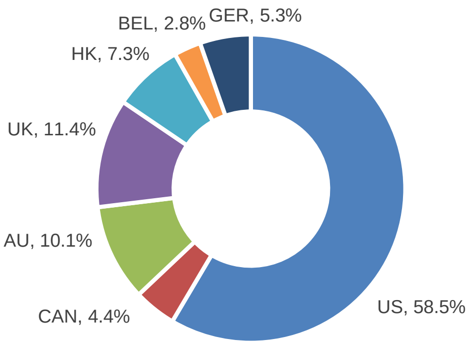
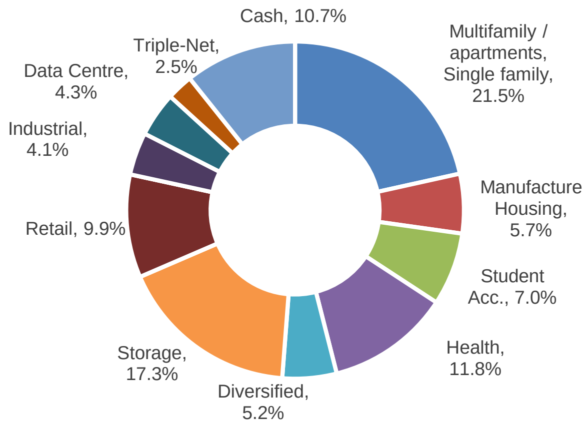
Geographic Weightings



Sector Weightings



How to invest

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

Platforms	
Asgard (Infinity eWrap)	IOOF (IPS, Lifetrack, Portfolio Services, Pursuit Select, Employer Super. Super, Pension)
ANZ (Grow)	Mason Stevens
AON	MLC (Navigator, Wrap)
BT (Wrap, Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap)	Spitfire (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.