

Quay Global Real Estate Fund

Monthly performance update

As at 30 April 2021

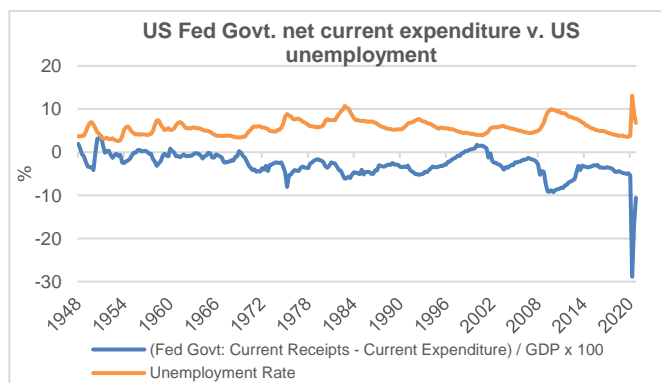
At a Glance

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	27
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	1.3146
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

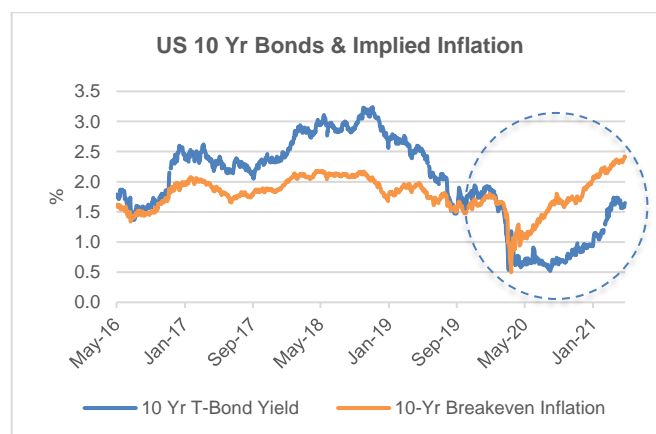
Global equities' post-pandemic run continued again in April, returning +3.2% in AUD terms, including a -0.9% currency headwind. Like we commented last month, driving global equity returns are US equity returns – which in our view, is being driven by an aggressive fiscal agenda from the Biden administration.

US fiscal spending in response to COVID as a % of GDP, has been larger than any other western country and rivals post WWII in magnitude. As a result of this stimulus we are witnessing stunning turnarounds in many economic metrics. The size of the stimulus and the dramatic reversal in unemployment, compared to other cycles and as an example is clear in the chart below.



Source: Federal Reserve Bank of St. Louis

As a result, there is an increasing sense that inflation may return and that may lead to interest rate rises occurring sooner than previously telegraphed by the Federal Reserve. As illustrated in the chart below 10-year treasury yields (blue line) have been rising based on increasing inflation expectations (orange line).



Source: Federal Reserve Bank of St. Louis

It's our opinion that this stimulus combined with the reopening of economies will continue to drive the growth in earnings of companies and entities, certainly within the listed real estate universe, that were impacted by Covid and or are economically exposed. The trick like always will be to not get too enthusiastic and overpay for this growth.

Fund Commentary

The global real estate index returned a strong +4.9% return, while the Fund slightly lagged with a +4.7% return (that included a 1.0% currency loss).

Winners from the month in order of contribution to returns were American Homes for Rent (US Single Family), Cubesmart (US Storage) and Life Storage (US Storage). The laggards for the month were Hysan (Diversified, Hong Kong), Scentre Group (Aust, Retail) and Coresite (US, Data Centres).

We are part way through 1Q21 reporting season in the US and are also receiving operational updates from many non-US investees. Observations are that the reported results and updates have generally been strong and, in many cases, particularly the economically cyclical and Covid-exposed sectors such as office and retail, have exceeded market expectations. There are some exceptions, such as European retail where stimulus spending has been more subdued, and Covid associated lockdowns still linger. The self-storage sector in the US is particularly of note for its strength. Decreasing supply and strong demand created by dislocation is driving net income growth rates in the mid-high single digits.

M&A also seems to be picking up with 3 deals in the US announced during the month. We regard this as a positive indicator of confidence. Notably, within the US self-storage sector Public Storage announced they are acquiring ezStorage in a deal valued at US\$1.8bn on a 3.6% cap rate growing to an estimated 4.0-4.4% over 2 years. The 48 properties located across Washington DC, Virginia and Maryland were acquired at an implied \$430/sqft. By way of comparison, Cubesmart, one of our investees, with a national footprint (and a far better portfolio), is

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trading at an implied NOI yield and a rate/sqft of 4.8% and \$270 respectively.

Relevant to our previous comments about inflation, also of note is consistent commentary about rising construction costs.

Alexandria Real Estate Equities, a specialised office landlord in the US, and one of our investees, expects construction cost increases during 2021 in the vicinity of high-single digits rates of growth. Driving this amongst other factors, they cited rising steel, timber, and labour costs. For existing asset owners this is not a bad thing, as rising construction costs push back new supply as higher rents are required to justify the same return on capital. This gives markets rents the opportunity to adjust upwards as the demand/supply equilibrium swings in favour of the landlord. This direct relationship between rising costs and rising rents is why we have often argued that real estate is a good hedge against inflation.

ESG is currently topical and in this month's [Investment Perspectives](#), we explore the progress listed real estate has made in ESG disclosure and include an outline of our own initiatives.

There were no changes in the Fund during the month, we remain positive in our outlook and believe it is well positioned to achieve our investment objective of CPI + 5% p.a.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	4.6%	4.9%	-0.3%
3 months	11.1%	12.7%	-1.6%
6 months	17.2%	19.9%	-2.7%
1 year	15.3%	13.4%	1.9%
2 years (p.a.)	3.8%	0.3%	3.5%
3 years (p.a.)	9.2%	5.7%	3.5%
5 years (p.a.)	8.5%	4.9%	3.6%
Since inception (p.a.)*	11.9%	7.7%	4.4%

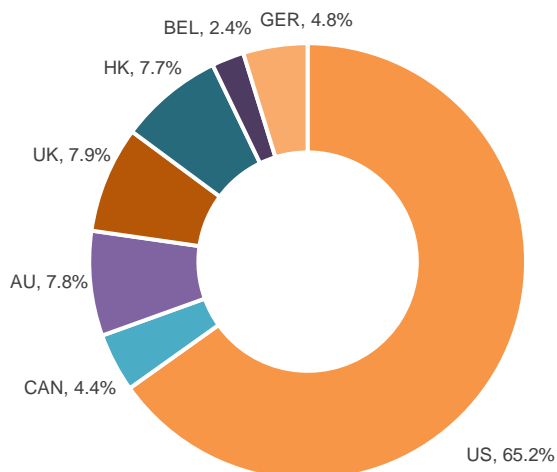
Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax

* Inception date is 30 July 2014¹

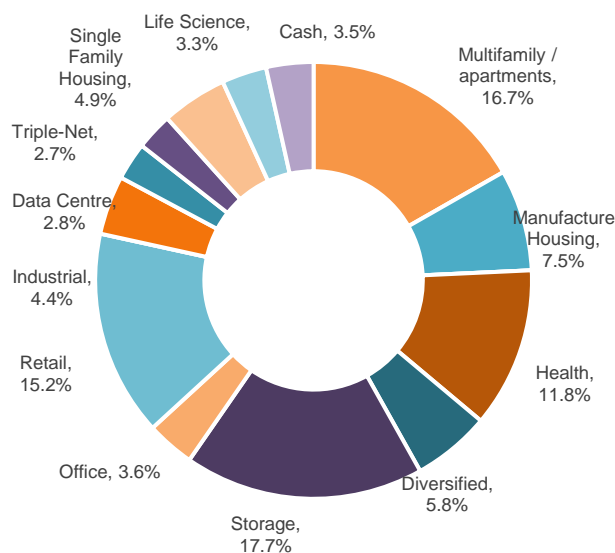
** FTSE/EPRA NAREIT Developed Index Net TR AUD⁴.

As at 30 April 2021

Geographic Weightings



Sector Weightings



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

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How to invest

The Fund is open to investors directly via the PDS (available at quaygi.com), mFund (code: QGI01) or the following platforms.

Platforms	
Asgard (Infinity eWrap)	IOOF (Pursuit Select, Pursuit Select (PIS), Employer Super, eXpand, Lifetrack, Grow, IPS, IDPS, Super, Pension)
AMP (My North, North, Summit, iAccess)	Mason Stevens
BT (Wrap, Panorama)	MLC (Navigator, Wrap)
CFS (FirstWrap)	Netwealth (Super Service, Wrap Service, IDPS)
Hub24 (Super, IDPS)	Praemium
Macquarie Wrap (IDPS, Super)	Powerwrap (IDPS)
	Wealthtrac

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 Experience on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.experience@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.

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