Quay Global Real Estate Fund (Unhedged)

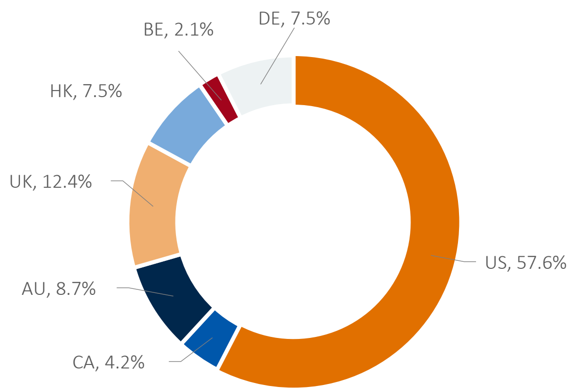
Performance report | 31 March 2022

Net client returns (after fees and expenses)

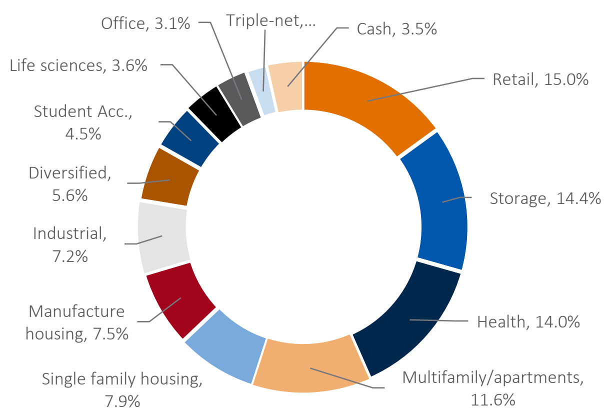
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	0.7%	-7.6%	1.4%	19.3%	14.0%	7.3%	10.7%	12.3%
Benchmark[1]	1.0%	-7.0%	1.8%	16.1%	12.1%	3.5%	6.8%	8.2%
Value added	-0.3%	-0.6%	-0.4%	3.2%	1.9%	3.8%	3.8%	4.1%

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

Geographic weighting



Sector weighting

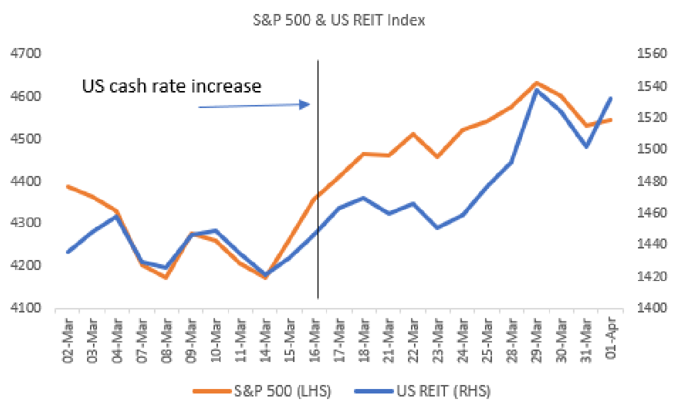


Market commentary

For all the headlines and worries about war, inflation and interest rates, March delivered a surprising result for most risk-based assets. Global equities returned +3.1% in local terms, although the AUD's relentless march higher (spurred on by rising commodity prices) crimped returns to -0.7% for Australian investors.

This performance is despite the US Federal Reserve increasing interest rates for the first time since the pandemic and signalling a more aggressive stance on future rate hikes. Other central banks indicated they will soon follow. These actions led to, according to Bank of America, the March quarterly performance of 10yr US Treasuries being the worst in around four decades**.**

Despite the common rhetoric that this moment is the equivalent of "taking away the punch bowl" for share prices, US assets (equities and REITs) posted solid performance, almost from the point where interest rates increased. None of this should be a surprise to our regular readers of Investment Perspectives.



Source: Bloomberg, Quay Global Investors

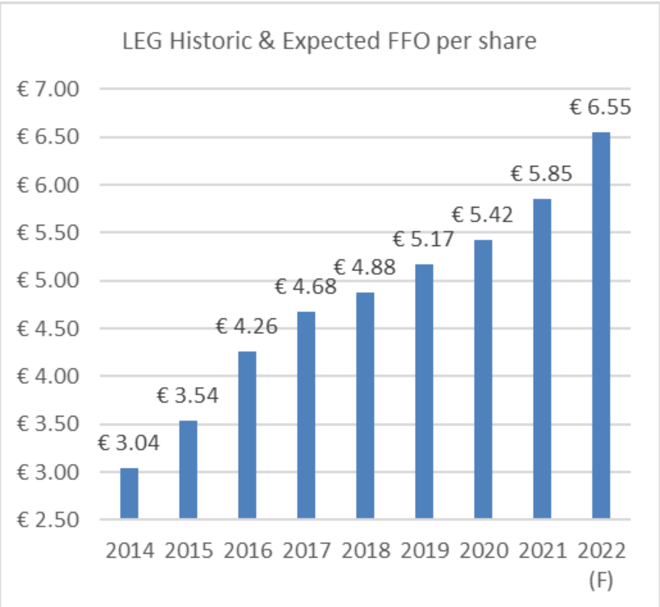
The Australian market continued its stellar run driven by the strong commodity cycle posting a +6.7% return. The outperformance against other markets is coming from the benefit of avoiding the currency headwind.

Fund commentary

Despite a -3.5% currency loss for our un-hedged strategy, the Fund managed to eke out a +0.7% return – although not enough to reverse the losses from the first quarter (which were largely attributed to currency).

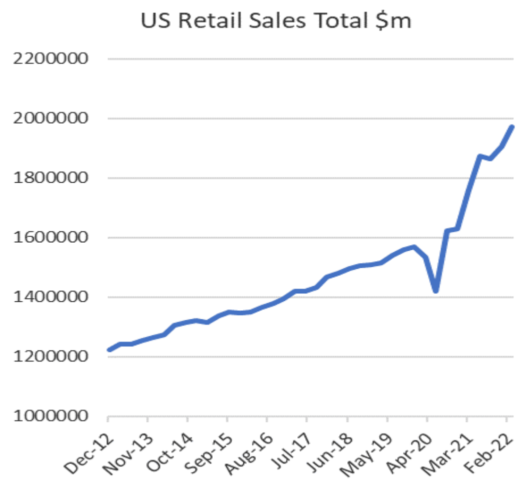
Our exposure to senior housing again paid-off in the month with both Ventas and Welltower contributing the largest returns. Betting on the ageing demographic is one macro-theme we can understand – and the share market continues to help us by inexplicably pricing these companies cheaply.

None of our laggards this month are a cause of concern. LEG Immobilien (German housing) posted excellent operating performance for the quarter however, in the short-term the market is pricing the company as a bond proxy which is not great in the current environment. Ultimately, the company's solid earnings and dividend growth (dividends expected to increase ~10% this year) will matter more. As highlighted by the following chart, LEG's historic and expected earnings look nothing like a bond coupon.



Source: Company data, Quay Global Investors

Another drag on our performance Simon Property (US Retail), gave what we believe to be very conservative 2022 guidance, which based on recent US retail sales data (combined January-February sales up +15.6% on 2021), leaves plenty of room for earnings upgrades in the months ahead.



Source: US Census Bureau, Quay Global Investors

During the month we started to travel again and braved a real estate conference in Florida (United States). The overwhelming sentiment across most sectors was sustained landlord pricing power – driven by delayed supply, and very strong underlying tenant demand. There were exceptions (coastal office) however, it is clear the real estate industry is benefiting from rising construction costs, crimping the feasibility of delivering marginal supply.

It is for this reason that real estate tends to be a very good hedge against inflation over the medium and long-term. In this month's investment perspectives, we test real estate performance in a high inflationary environment against another classic asset hedge- gold, and arrive at some surprising conclusions.

Fund outlook

We continue to remain optimistic on the outlook for our investees and see a comfortable CPI + 5% total return over the next 3-5 years across the portfolio. As such, the strategy remains fully invested.

Fund details

Feature	Information
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
Number of securities	26
Fund size	A$532m
Inception date	30 July 2014[2]
Recommended investment period	Long term (5+ years)
Minimum investment (AUD)	$20,000
Additional investment (AUD)	$5,000
NAV[3]	1.4986
Buy/Sell spread	+/-0.20%
Entry/Exit fees	Nil
Distributions	Bi-annual
Management fee[4]	0.82%

How to invest

The Fund is open to investors directly via the PDS (available on our website), mFund (code: QGI01) or the following platforms.

Platforms

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

Get in touch

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client.experience@bennelongfunds.com

1 Benchmark is the FTSE/ EPRA NAREIT Developed Index Net TR AUD. 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.

2 The Quay Global Real Estate Fund (Unhedged) 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.

3 Adjusted for expected withholding taxes.

4 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 Fund's Product Disclosure Statement available on our website.