

Quay Global Real Estate Fund (Unhedged)

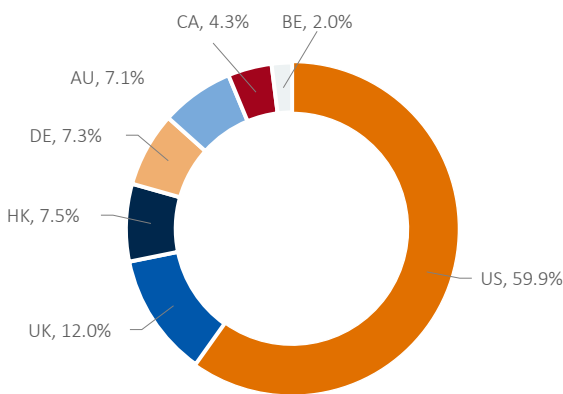
Performance report | 30 April 2022

Net client returns (after fees and expenses)

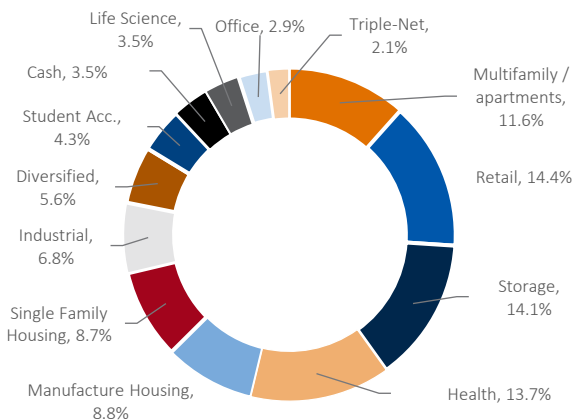
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception ² p.a.
Fund	-0.7%	-4.9%	-1.4%	13.3%	14.3%	6.8%	9.7%	12.0%
Benchmark ¹	-0.1%	-4.5%	-0.3%	10.5%	12.0%	3.6%	6.2%	8.0%
Value added	-0.6%	-0.4%	-1.1%	2.8%	2.3%	3.3%	3.5%	4.0%

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

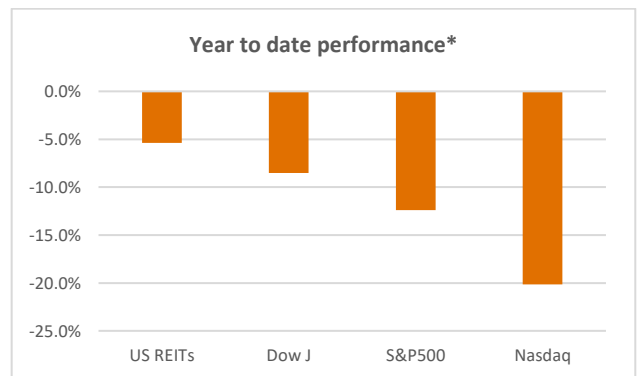


Market commentary

It was a brutal month for almost all asset classes. Bond yields (particularly long duration) continued to climb, as investors fret that Central Banks are behind the curve and cash rates need to rise precipitously. Risk assets were not spared, with global equities down -8.2% led by US technology stocks, which were eviscerated posting ~20% losses.

The risk-off environment caused a surge in USD relative to most currencies, softening the poor market returns for Australian investors with losses in AUD terms a more palatable -3.1%.

Global Real estate again outperformed equities, down just -0.1% in AUD terms (although the fund slightly underperformed this return), as the sector has become somewhat of a safe haven in a rising inflation / interest rate environment.



Source: Bloomberg, Quay Global Investors (* to April 28)

We explore the sector's recent outperformance in this month's [Investment Perspectives](#) and assess the value of the sector relative to long bonds by looking at the long-term equity risk premium for the market.

The Australian market was (again) a relative winner, down just -0.9%, buoyed by strong commodity prices, and the local market's relative low weight to technology shares.

Fund commentary

In a sharp reversal from last month, currency added +3.9% to the Fund's total return (-3.5% in March), resulting in a relatively small loss of -0.7% for the portfolio. Despite the volatility, over the past two months the total return of the Fund has been +0.1%, with only +0.4% from currency movements.

Strongest contributors came from Hong Kong (Hysan), and our exposure to the defensive manufacturing home sector (Equity Lifestyle, Sun Communities).

At the other end of the spectrum, Empire State Realty, Simon Property, and LEG Immobilien dragged on returns. We expect these stocks to reverse with results coming in well ahead of expectations (Empire State), or signs results may well surprise on the upside in the near future (Simon Property).

Overall, reporting season has been solid (mainly north America), with most sectors reporting impressive rental growth, limited supply risk, and a buoyant transaction market. Private equity continues to remain active as American Campus Communities (Student accommodation), and PS Business parks (US office flex) attracted bids at healthy market premiums.

Despite the solid operating environment there are signs that some long-held themes and beliefs are beginning to reverse. At month-end, Amazon reported disappointing results, pointing to a deceleration in on-line sales (with bricks and mortar retail gaining market share) and excess capacity in logistics / warehouse space. Industrial REITs (especially those at nose-bleed valuations) appear to be most at risk with this potential change in sentiment.

What is more interesting is many of the Industrial REITs had already reported Q1 results telling investors the environment has "never been better" prior to Amazon's announcement. Which either means they had not been speaking to one of their largest tenants or felt Amazon's announcement was not particularly newsworthy for their investors.

We remind investors the Fund has a relatively small exposure to logistics / industrial as we have been somewhat sceptical of the sustainability of the sector's recent rent growth, developments, and returns. We continue to watch the sector closely for more trends and opportunities.

Fund outlook

While we prefer to use metrics like replacement cost to measure our risk and valuations, it is worth noting that based on 2022 earnings, the weighted average price/cashflow ratio for the fund is currently an undemanding ~19x (+5% cash earnings yield), with around +10% growth into 2023. This is due to our exposure to sectors that have been out of favour (retail, Hong Kong) and recovering from the pandemic (coastal housing, senior

housing). To date, there is nothing in the recent results that suggests these numbers are not achievable. As such, we 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.

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
Stock number	26
Fund size	A\$561m
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	1.4882
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)	Macquarie Wrap (IDPS, Super) Mason Stevens
BT Asgard (Infinity eWrap)	MLC (Navigator, Wrap)
BT (Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap)	Service, IDPS)
Hub24 (Super, IDPS)	Oasis (Wealthtrac)
IOOF (Pursuit Select, Pursuit Select (PIS), Employer Super.	Powerwrap (IDPS)
eXpand, Lifetrack, Grow, IPS, IDPS, Super)	Praemium (Non Super, Super) Wealthtrac

Get in touch



quaygi.com



1800 895 388 (AU) or 0800 442 304 (NZ)



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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.

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