

Performance report | 31 October 2024

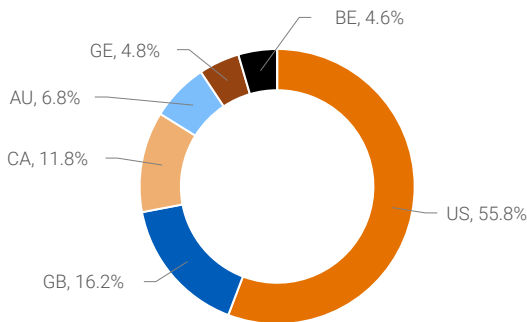
Quay Global Real Estate Fund (Unhedged)

Net returns

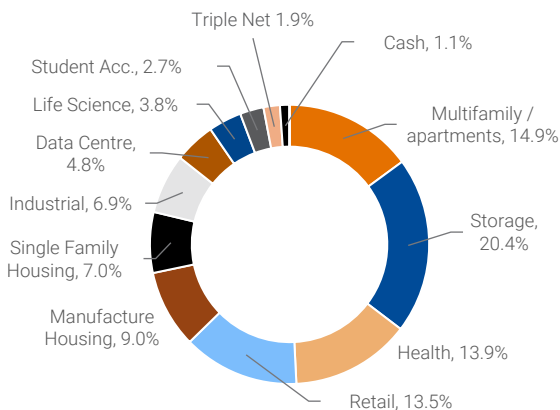
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	10 years p.a.	Since inception ² p.a.
Fund	-0.91%	+3.01%	+12.91%	+26.81%	+12.20%	+3.13%	+4.23%	+9.36%	+10.11%
Benchmark ¹	+0.53%	+3.58%	+13.33%	+24.18%	+8.55%	+1.28%	+0.86%	+5.93%	+6.45%
Value added	-1.45%	-0.57%	-0.42%	+2.64%	+3.65%	+1.84%	+3.37%	+3.43%	+3.67%

Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax. 'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

Geographic weighting



Sector weighting



Commentary

Global real estate had a rough month, with the Index and the Fund returning -3.6% and -4.9% respectively on a local currency basis. However, a weak Australian dollar buffered returns, and on an AUD basis the Fund returned net -0.9% in October.

This weakness was likely driven by a combination of US election uncertainty and rising bond yields. The US 10-year bond yield has risen from ~3.6% in mid-September to ~4.3% by the end of October. Expectations around the current US interest rate cut cycle have lowered on the back of strong economic data (jobs, retail sales). Fears regarding the inflationary policies of a possible Trump presidency also weighed. As a reminder, in the short term, bond yields and REIT prices have shown a high negative correlation.

Elsewhere, the Bank of Canada cut its benchmark rate by a further 50 basis points as Canadian inflation fell to +1.6% in September. In the UK, inflation fell to +1.7%, the lowest rate in three and a half years. The UK Labour government released its first federal budget on October 30 – with big increases in both spending and taxation planned.

Reporting season for third quarter earnings began this month. A clear standout so far was US hyperscale data centre REIT Digital Realty, which reported US\$521m of new leases signed during the quarter (more than double its previous record set in the first quarter). The stock rose by as much as +17% intra-day in the following trading session.

Meanwhile the Healthcare and Retail sectors continued to report exceptional results as both sectors face strong demand amidst low levels of supply. In this month's [Investment Perspectives](#), we have done a case study of Nike's decision to pursue and subsequently abandon its transition to a predominantly online retailing strategy. This paper highlights the importance of physical retail space even for a recognised brand name like Nike.

Some interesting real estate related news released during the month included:

- US retail availability remains tight in 3Q at 4.7%, unchanged from 2Q according to data from Colliers. Low levels of new construction kept the availability stable despite a decrease in net absorption this quarter
- The UK housing market sees both activity and prices rebounding, likely driven by lower mortgage rates. Housing sale activity is up 29% YoY according to Rightmove
- According to data from the National Investment Center for Senior Housing & Care ('NIC'), starts in US senior housing decelerated for the 20th consecutive quarter. Current construction pipeline is 3.3% - the lowest level seen in 12 years. Occupancy for the sector rose to 87.1%, just 20bps below pre-covid levels
- According to CBRE, US Lab/R&D leasing activity increased in 3Q24 by +14% quarter over quarter to 3.1million sqft. Total space under construction fell to 17million sqft, the lowest since 1Q21
- US office net absorption increased to 4.3 million sqft in 3Q24, the second consecutive quarter of positive absorption according to CBRE. 24 of the 57 markets tracked by the company recorded positive net absorption, led by Manhattan with 3.4 million sqft

Top contributors to returns for the month came from positions in US Data Centre and US Healthcare. The top detractors for the month were from positions in UK Storage and US Triple-Net.

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	25
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	1.4907
Buy/Sell spread	+/-0.20%
Entry/Exit fees	Nil
Distributions	Bi-annual
Management fees and costs ⁴	0.87%

How to invest

The Fund is open to investors directly via the PDS (available on our [website](#)) or the following platforms. Visit [How to invest](#) to find out more.

Platforms

AMP (My North, North, Summit, iAccess)	Mason Stevens
BT Asgard (Infinity eWrap)	MLC (Navigator, Wrap)
BT (Panorama)	Netwealth (Wealth Accelerator Plus and Super Accelerator Plus)
CFS (FirstChoice, FirstWrap)	Oasis (Wealthtrac)
Dash	Powerwrap (IDPS)
Hub24 (Super, IDPS)	Praemium (Non Super, Super)
Insignia (Expand and Expand Extra)	
Macquarie Wrap (IDPS, Super)	

Get in touch



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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 Management fees and costs consist of annual management fee rate and capped recoverable expenses. For a detailed split of the fees and costs, please refer to the fund(s) PDS.

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