Quay Global Real Estate Fund

Monthly performance update

As at 31 August 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]	1.5525
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee[3]	0.82%

Market Commentary

Risk assets, including global equities, marched relentlessly higher in the month of August led by the US which spent most of the month posting record highs. Clearly, markets are paying more attention to profits and buoyant consumer behaviour, rather than the potential risk of another COVID variant. Time will tell whether this is prudent.

By month end, global equities posted a +3.1% total return, slightly ahead of the local market of +2.4%.

Fund / Sector Commentary

The Fund returned +2.6% (net), again assisted by small currency gains (+0.3%). Scentre Group (Australian Retail), Safestore (European Storage), and Cubesmart (US Storage), were the strongest contributors, while Hysan (Hong Kong Diversified), Ventas (US Heath), and Empire State (US Office) were the drag.

The relative underperformance of our US office investee does not alter our conviction in any way. The office sector is our focus in this month's Investment Perspectives, as we try to dimension the long term demand impact of various work from home (WFH) scenarios and conclude perhaps investors are being too harsh in their outlook.

It was a busy month with most of our investees reporting results for the period which generally met or exceeded our expectations. We identified a few key themes from reporting season below.

Demand / Supply mismatch. The first half of 2021 saw either a continuation of tenant demand (storage, industrial, residential), or a surge of new post COVID demand (senior housing, retail), driving occupancies, rents and revenues. Supply, which is always a lagging factor, has not kept pace. This should not be a surprise given today's supply is a function of yesterday's construction – and during 2020 a lot of construction was delayed. The upshot was an excellent reporting season. But while this makes for a landlord's market today, we continue to keep an eye on the inevitable supply response, and the risks that it may bring.

Physical retail is coming back. Our retail investees continue to surprise investors with recovering footfall, sales, and occupancies. We believe the recent Scentre Group result (one of our largest positions) supports our thesis that in a post COVID world, consumers flush with cash, exhausted by lockdowns and who no longer see on-line shopping as a novelty it once was, will return to Malls in a meaningful way.

The senior housing 'product' will survive. This is important as senior housing was ground zero for many early infections and deaths from COVID – potentially damaging the perception of the product. As long term investors (hopefully benefiting from the demographic tailwinds) we were heartened to see good resident demand as facilities re-open. Occupancies have bottomed, and net tenant gains are now being recorded across most North American Senior housing portfolios.

Industrial / Self Storage demand appears insatiable. If there were two sectors that have performed strongly during and after COVID it has been these. Every company we own or cover in these sectors beat guidance and raised their outlooks, and most physical properties are now essentially full.

We have always had a very large exposure to storage sector, and our investors have benefitted significantly with its long term performance. However, we understand some self storage is commodity in nature (low barriers to entry) and subject to long term supply risk. As such we took the opportunity to take profits from one of our investees, Life Storage (LSI), and re-allocate back into the student accommodation sector (which has not fully recovered to its pre-COVID price). It is always hard to sell "winners" (Life Storage total return +260% over 7 years) however, we remain disciplined with our valuation framework and believe there are now better returns elsewhere.

Globally we still see significant long term opportunities that we believe will satisfy our CPI + 5% total return objective, and therefore the Fund remains near fully invested.

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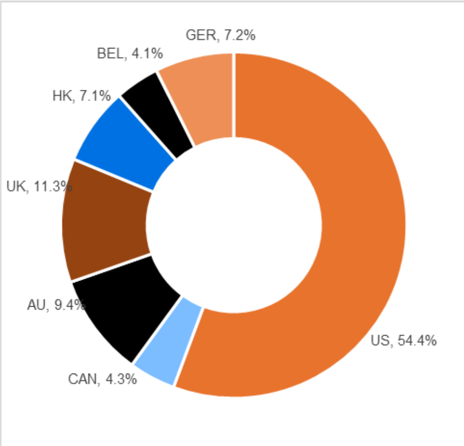
Performance

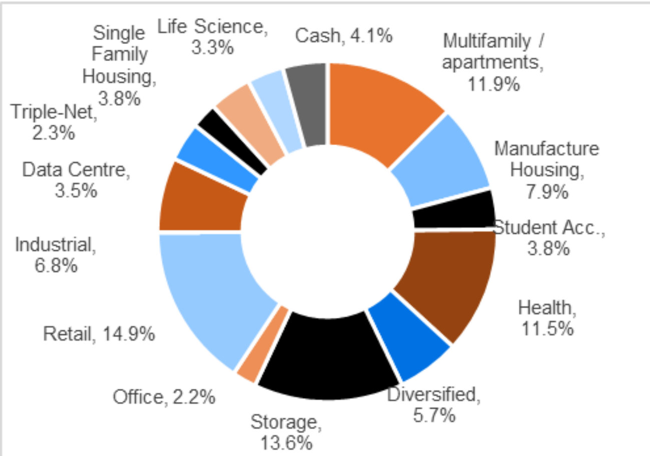
Timeframe	Fund return (net)[1]	Index**	Value add
1 month	2.6%	1.9%	0.7%
3 months	14.9%	12.3%	2.6%
6 months	25.8%	25.1%	0.7%
1 year	38.9%	34.9%	3.9%
2 years (p.a.)	8.3%	3.0%	5.3%
3 years (p.a.)	11.5%	7.2%	4.3%
5 years (p.a.)	10.6%	6.2%	4.4%
Since inception (p.a.)*	13.9%	9.3%	4.6%

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].

Geographic Weightings



Sector Weightings



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How to invest

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

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

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