

Quay Global Real Estate Fund

Monthly performance update

As at 31 July 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	1.5149
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

The surging infection rate of the new delta strain of COVID-19 did little to temper enthusiasm for stocks during the month of July. While economies continue to face the risk of new and more strict economic restrictions, investors preferred to focus on the boom in corporate profits from the current reporting season.

Whilst we are still mid-results season the trends seem pretty clear. Results tend to be meaningfully ahead of expectations with EPS ~24% above 2019 levels¹, and companies are routinely lifting full year earnings guidance. This is also happening across the REIT space (more on that below).

The profits boom should not come as a big surprise to our readers of Investment Perspectives. As we highlighted back in [June](#), the Kalecki-Levy profits equation informs us that, all other things being equal, government deficits are additive to company profits. With this insight, we expected that the large COVID fiscal deficit countries (USA, Japan, Canada, UK, Australia) were likely to outperform in the medium term (at least in terms of profits).

By month end, global equities (led by the US) delivered a +4.0% total return, with a decent 2.2% tailwind from a strong US dollar (weaker AUD). Local equities couldn't quite keep pace, lifting just

1.1%, although Australia's reporting season (also likely to be very positive) has only just begun.

Fund / Sector Commentary

Upgrades, upgrades, and upgrades. The current reporting season is delivering somewhat of an earnings bonanza for REITs (especially US REITs). In some sectors earnings upgrades have been +10% on already lofty expectations (Self Storage, Retail and Apartments). The over-riding theme is the consumer sensitive sectors are "recovering well", and from a REIT perspective, short lease duration is delivering a bigger upgrade compared to long duration (befitting from more regular mark-to-market pricing). The Fund is well positioned in this context with a meaning exposure to residential, self-storage and senior housing.

For the best part of 12 months, our unhedged strategy has suffered from currency headwinds as the Australian dollar rallied hard from its COVID lows. Yet in the past few months that headwind has turned into a tailwind, over-inflating our monthly returns. This month was no exception with a +2.2% benefit from currency.

However, we believe it is instructive to take a longer-term perspective. Over the past 12 months, the currency impact on performance has been approximately -2% yet the Fund has delivered a total net return (in AUD) of +35.6%. This ties in with our overall philosophy that it is stock selection that matters over the long run, not currency. Meanwhile, an unhedged currency exposure protects investors from the worst drawdowns during the time of crisis.

By month end, the Fund delivered a +6.9% total return. All but one investee across the portfolio delivering a positive performance, with significant contributions from Safestore (UK/European storage), LEG Immobilien (German residential) and Equity Lifestyle Properties (US manufactured homes).

Scentre Group (SCG) was again a laggard as the local retail landlord again faced government mandated shutdowns (and government mandated landlord support in Victoria). This is incredibly frustrating for us and no doubt Scentre management. As we highlight in last month's [Investment Perspectives](#), Australian retail sales are booming, yet recently online retail sales have been falling, implying surging sales in physical stores. On this basis, it was clear that more dollars were being channelled through bricks-and-mortar stores than perhaps most investors were expecting. This trend is likely to reverse now, at least until the local lock-downs end.

As patient investors, we prefer to take the long view. As such, we continue to add to our SCG holding (at the expense of recent winners) to take advantage of what we believe will be an inevitable recovery. Other than this, there were no significant changes in the Fund for the month.

¹ Source: Bank of America

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Performance

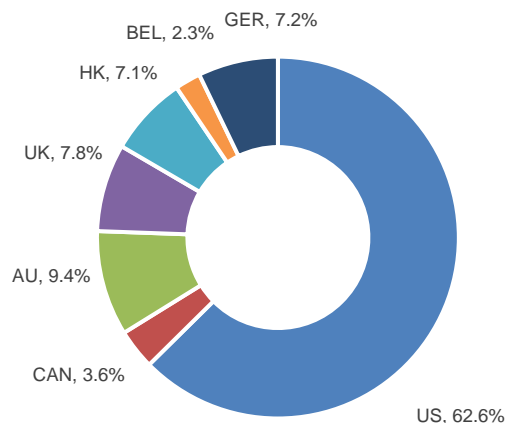
Timeframe	Fund return (net) ¹	Index**	Value add
1 month	6.9%	6.1%	0.8%
3 months	15.0%	11.9%	3.1%
6 months	27.8%	26.2%	1.6%
1 year	35.6%	31.6%	4.0%
2 years (p.a.)	9.4%	4.2%	5.2%
3 years (p.a.)	12.1%	7.8%	4.3%
5 years (p.a.)	9.5%	5.4%	4.1%
Since inception (p.a.)*	13.7%	9.1%	4.6%

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

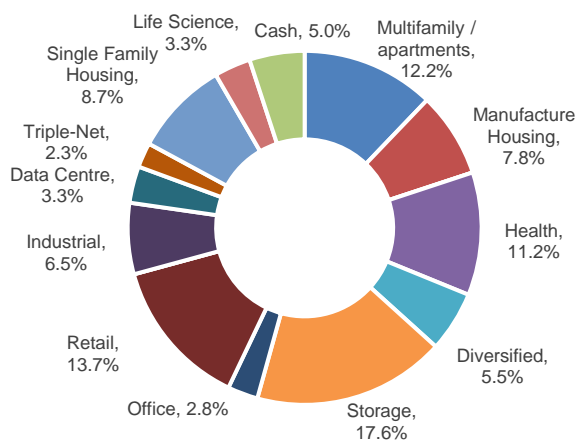
* Inception date is 30 July 2014¹

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

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	
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)	Wealthtrac
Macquarie Wrap (IDPS, Super)	Powerwrap (IDPS)
	Praemium

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.

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