

Quay Global Real Estate Fund

Monthly performance update

As at 30 November 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
Fund Size	A\$519m
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	1.5668
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

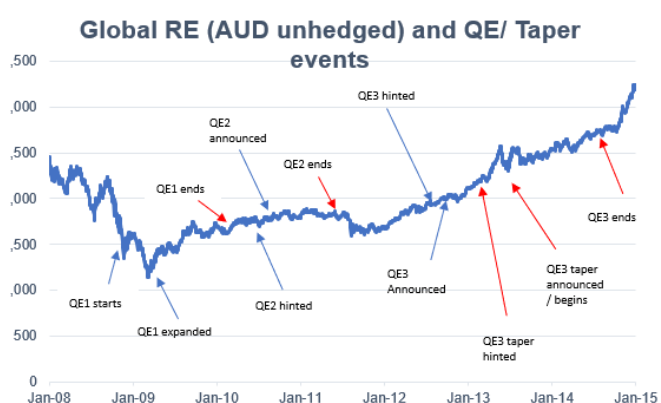
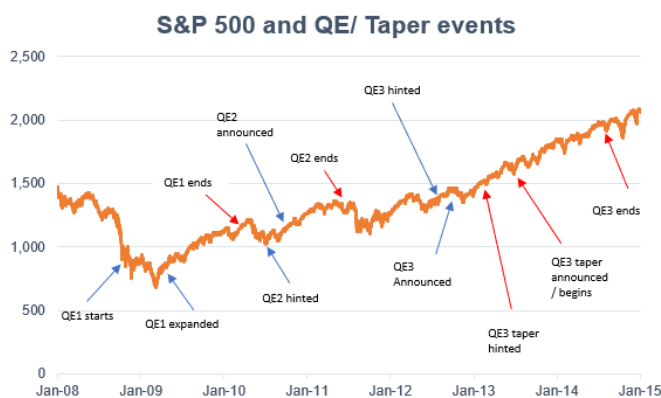
Australian investors may not have felt it, but global equities posted a positive +3.6% total return for the month. While underlying stocks posted a -1.4% loss, the other side of this is a +5% contribution from currency. The local market (without the benefits of currency) was also weaker, delivering a -0.5% total return.

The new COVID variant 'Omicron' certainly played its part toward the back end of the month. At the time of writing, the infectious rate and severity of the new variant are unknown. So, markets are now doing what they do best, pricing-in the unknown.

If that were not enough, on the last day of November 'team transitory' threw in the towel as Jerome Powell testified to congress that the term has outlived its usefulness describing the current inflationary environment (although the bond market disagrees). This potentially paves the way for a more aggressive 'tapering' of asset purchases and potential interest rate increases. Market reaction (real time) to these comments suggest they also had a material negative impact on market pricing and sentiment.

While we know very little about mutating viruses, we believe we have some insight into quantitative easing, 'tapering' and the impact on equity markets. That is, over time, these types of Federal reserve actions mean very little to share market returns.

For more on this please see our October white paper [Don't fear the taper](#). Key charts from this publication can be found below.



Source: Bloomberg, Calculated Risk, Quay Global Investors

Fund Performance

The Fund managed to deliver a +3.6% total return in November. We wish we could claim this was a result of skill however, like global equities, it was all currency assisted (+4.5%).

We did have some good investment outcomes during the month, with sole data centre investee, Coresite, agreeing to an all-cash offer of \$170/ share from American Tower. Coincidentally on the same day, peer owner/operator CyrusOne was also acquired by private equity. As we have noted in the past, when any of our investees are to be acquired, we tend to hold until the deal is closed as our position represents a near free option (almost no downside but potential for an over bidder). This may cause somewhat of a drag in an up market relative to the broader index but given our index unaware approach this is of little concern. Separately, we really do like free options.

Our self-storage exposure continues to deliver for our investors with both Safestore and Big Yellow group materially beating market expectations on revenues, occupancy and earnings. Not surprisingly, along with Coresite, both stocks contributed meaningfully to performance.

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A number of our investees were also active with acquisitions. Sirius real estate acquired a UK industrial / flex office portfolio for £245m on a near-stabilised yield of ~7%, adding +13% to underlying earnings. Separately, Sun Communities (US manufactured Homes) entered the UK market via the acquisition of 'Park Holiday's UK' for £950m, adding approximately 7% to earnings. Both deals required fresh equity and the Fund participated in both instances at good discounts to market price. We are highly supportive of both management teams and believe we will continue to do well from these investments.

Unfortunately, the portfolio had a number of underperformers in the month – particularly in senior housing, which continues to face the multiple near term headwinds of emerging COVID variants, a northern winter (bad for leasing), Federal reserve tapering and persistent high wage costs. However, as long-term investors we are prepared to look-through the near term and focus on the inevitable 'silver tsunami' in the years ahead, as future resident demand meaningfully outstrips supply and delivers investors attractive total returns. Right now, we feel our biggest risk is for one of our investees being acquired before we can fully benefit from our patience. And given the very active M&A environment, this risk feels very real.

This year, for the most part, the Fund has remained fully invested. However, at month end, with a combination of recent cash inflows, dividends from investees and our quasi cash exposure via Coresite (see above), the Fund enjoys ample liquidity equal to ~7% of Fund assets which can be used to take advantage of any new or existing investment opportunities that may emerge from current market volatility.

Performance

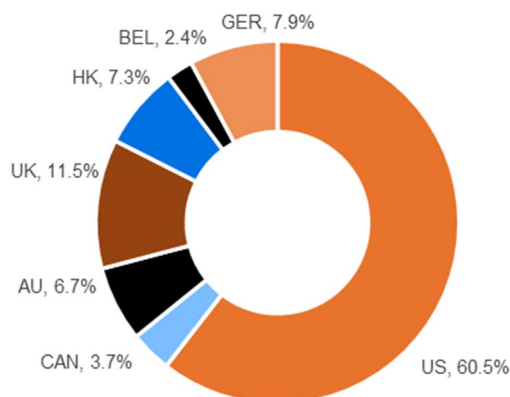
Timeframe	Fund return (net) ¹	Index**	Value add
1 month	3.6%	3.6%	0.0%
3 months	0.8%	0.6%	0.2%
6 months	15.9%	13.0%	2.9%
1 year	30.9%	27.6%	3.4%
2 years (p.a.)	7.2%	1.7%	5.5%
3 years (p.a.)	12.8%	8.5%	4.3%
5 years (p.a.)	12.8%	8.0%	4.8%
Since inception (p.a.)*	13.5%	9.1%	4.4%

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

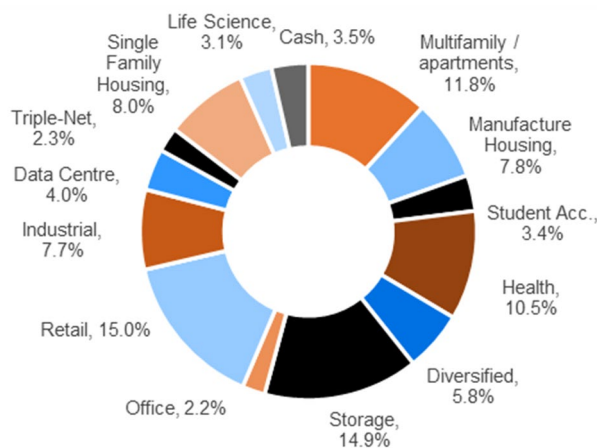
* Inception date is 30 July 2014¹

** 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	
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, IPS, 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.

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