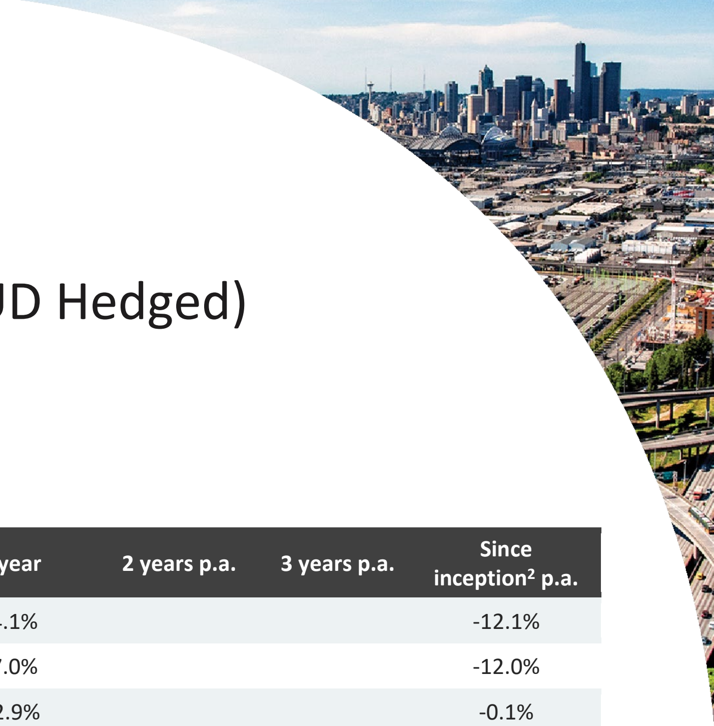


Quay Global Real Estate Fund (AUD Hedged)

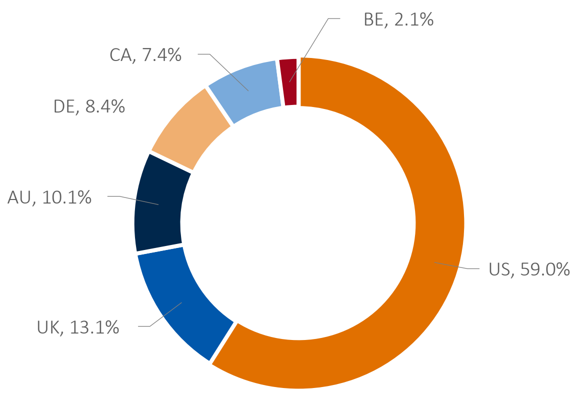
Performance report | 31 August 2023

Net client returns (after fees and expenses)

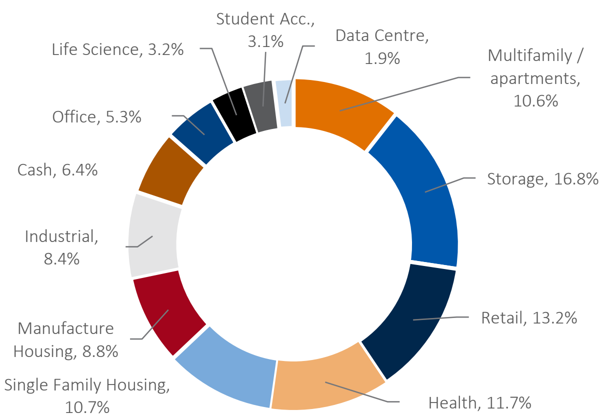
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception[2] p.a.
Fund	-2.8%	+5.5%	-2.2%	-4.1%			-12.1%
Benchmark[1]	-2.7%	+3.2%	-2.6%	-7.0%			-12.0%
Value added	-0.1%	+2.3%	+0.4%	+2.9%			-0.1%

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

US markets finished slightly down in August as the S&P 500 and Nasdaq posted their first monthly declines since February. While global equities were down -1.8%, the weak currency meant AUD returns were up +1.6%.

Changing views on 'higher-for-longer' interest rates caused U.S. treasury yields to move from below 4% to as high as 4.35% before a rally at the end of August, as the market saw the dovish side of the Jackson Hole summit. Fed Chair Powell reaffirmed a data-dependent approach and will "proceed carefully" while assessing incoming economic data affirming their commitment to reducing inflation to the 2% target level.

There's good reason for the market to be optimistic on rate cuts – our latest Investment Perspectives takes a closer look at US Inflation and what drives it. One of the largest components of CPI – shelter costs – appear to be acting as a tailwind and by our estimates will continue to act as a tailwind for the next few months.

The Australian market was down -0.8% in August, with similar narratives of moderating inflation and increasing expectations of rate stability.

Portfolio commentary

Quay's hedged returns reflected weaker markets in August, with a return of -2.8%.

The strongest contributors in August were based in Germany, with Sirius Real Estate (Industrial) and LEG Immobilien (Apartments) all enjoying a strong month. Despite Sirius having a March balance date, markets seemed to have viewed German real estate companies reporting second quarter results rather optimistically.

With all the talk about asset values and cap rates, LEG's second-quarter result revealed accelerating rent growth translating to EBITDA growth. This is important, as free cash generation reduces the reliance on asset sales to reduce leverage – which, in LEG's case, isn't much of an issue as it has no debt expiring until September 2025.

Other strong performers were STAG (US Industrial) and Chartwell (Canadian Seniors Housing), which both released positive second-quarter results and specific to Chartwell an optimistic occupancy outlook, which bodes well for prospective EPS growth.

On the other side of the ledger, Ventas (US Healthcare), Simon Property (US Malls) and Alexandria (US Life Science) lagged this month. In the case of Ventas, its price has been weak post its second-quarter result, where guidance came in lower than the markets lofty expectations. Long-term, the investment case remains intact.

Reporting Season Comments

Nearly all our investees reported second-quarter earnings by the end of August. While most investees either reported quarterly earnings in-line or above expectations, conservative outlooks have by and large been retained with managements generally reporting positive operating outlooks, tempered by the impact of weak capital markets, higher cost of debt and uncertainty around macro environment risks.

The residential sector has been positive, with slight upgrades, steady rental growth for apartments and accelerating rental growth for single-family homes.

The self-storage sector in the US generally reported in-line earnings, but guidance has been soft. Higher interest rates have resulted in low housing turnover in the US. With that, storage demand has softened and new lease rates for storage units ('street rates' in industry parlance) are lower than last year. Storage operators have shifted from pushing rents to defending occupancy. On the other hand, European storage – with constrained supply, very low customer penetration and lower physical occupancy rates – offers a tremendous growth opportunity and recent strong reports from our European investees confirms this.

In other sectors, our retail investees have reported positive results – both convenience and destination retail. Scentre reported first-half 2023 FFO ahead of our expectations, but well ahead of the market, with sales +9.1%, rents +8.1% and +9.8% more customer visits year-on-year.

Our healthcare investees have mostly reported positive results. Senior's housing offers significant operating leverage to the perfect storm of the demographic 'silver wave', post-COVID occupancy recovery and a collapse in supply. This will likely culminate in average annual NOI growth in the mid-teens over the next few years.

Portfolio Outlook

With second-quarter reporting season in the rear-view mirror, the markets this month largely reflected and adjusted earnings expectations. Some were bad, but most were not, which confirms our conviction we have held over the past year. We are confident the current portfolio is well positioned to meet and exceed our long-term investment objective.

Fund details

Feature	Information
APIR Code	BFL3333AU
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	23
Fund size	A$69m
Inception date	2 February 2022[2]
Recommended investment period	Long term (5+ years)
Minimum investment (AUD)	$20,000
Additional investment (AUD)	$5,000
NAV[3]	0.7930
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) or the following platforms.

Platforms

AMP North
CFS (FirstWrap)
Dash
Hub24 (Super and IDPS)
Macquarie Wrap
Mason Stevens
Netwealth (Super Service, Wrap Service)
Praemium

Get in touch

quaygi.com
1800 895 388 (AU) or 0800 442 304 (NZ)
client.experience@bennelongfunds.com

[1] Benchmark is the FTSE EPRA/NAREIT Developed Hedged 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] Inception date is 2 February 2022.

[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 Hedged 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.