

Performance report | 31 July 2024

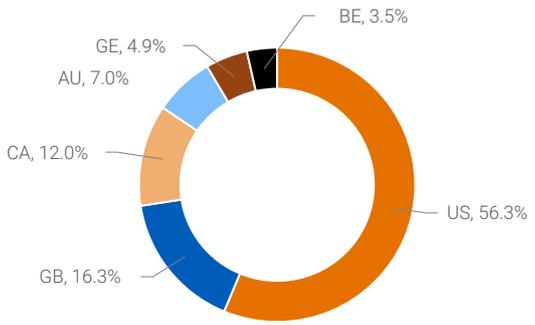
Quay Global Real Estate Fund (AUD Hedged)

Net returns

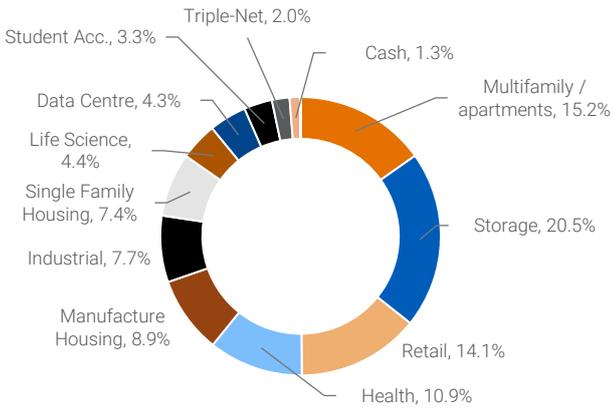
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception ² p.a.
Fund	+4.71%	+9.19%	6.52%	+9.19%	+0.16%	-	-3.46%
Benchmark ¹	+5.53%	+9.23%	6.95%	+6.96%	-1.82%	-	-4.18%
Value added	-0.82%	-0.04%	-0.43%	+2.24%	+1.99%	-	+0.73%

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

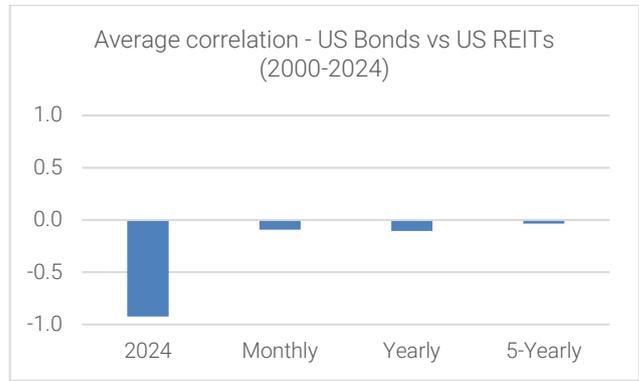


Commentary

Global real estate had a strong month, with the AUD hedged index returning +5.5%. The fund returned net +4.7% in July.

The sector likely benefited from the renewed expectations of multiple interest rate cuts in the US in 2024. US inflation data released during the month was below forecast and the unemployment rate rose again unexpectedly. Despite holding rates steady at their July meeting, the US Fed cited they are seeing 'further progress' towards its inflation goal and are watching the labour market 'really carefully'. Fed Chairman Powell also indicated that a rate cut in September 'is on the table.'

This month's returns highlight just how sensitive the listed real estate sector has been in the past few years to fluctuations in interest rate expectations. The chart below shows that there is a negative correlation of -0.9 between changes in US REIT prices and US bond yields in 2024. Importantly, it also shows that in the longer term, there is no correlation – because REIT prices are driven by underlying real estate fundamentals.



Source: Bloomberg, Quay Global Investors

With the US Fed on the verge of rate cuts, and central banks in the UK, Europe and Canada having already cut, investors may be thinking about their allocation to the REIT sector. In this month's [Investment Perspectives](#) we discuss the timing of allocations and highlighting why in our view there may be some good days ahead for listed real estate.

Reporting season for second quarter results commenced this month. A highlight so far has been US strip centre retail REIT Brixmor, who reported record leased occupancy for the third consecutive quarter, now sitting 300bps above 4Q19 levels. Spreads on new and renewal leases were +28%, a new record high.

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

- Unite Group (UK Student Accommodation) raises circa GBP450m via an equity offering to fund acquisition and development opportunities. The offer price was at a 2.6% discount to the last close, implying the equity was issued at a low-5% EPRA net initial yield. Investment opportunities for Unite on average are at circa 7% net yield.
- Lineage, the world's largest cold storage logistics operator raised ~US\$5bn in the largest REIT IPO ever. Proceeds were used to repay debt. The IPO was priced at US\$78/share, implying a 20x EV/EBITDA multiple.
- Reuters reported that Blackstone is in early negotiations to acquire ROIC, a US\$3.2bn enterprise value US strip centre retail REIT. No details on pricing were revealed, however ROIC's share price rose +21% on the day of trading, and US strip centre REITs rose 4% on average.
- Reuters reported that Equinix (US Data Centre) is looking to sell a minority stake in its Hong Kong facilities, which could be valued at US\$2billion. This follows reports by Bloomberg earlier in the year that Vantage Data Centers are looking to sell its Hong Kong data centres portfolio.
- Analysis by Costar reveals that office buildings in the US that are 10 years or older have lost nearly 420 million square feet of occupancy since the beginning of 2020.

Top contributors to returns for the month came from positions in Australian Retail and US Industrial. The main detractors were positions in US Single Family Housing and US Data Centre.

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	24
Fund size	A\$267.3m
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	0.8762
Buy/Sell spread	+/-0.20%
Entry/Exit fees	Nil
Distributions	Bi-annual
Management fees and costs ⁴	0.92%

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

Get in touch



quaygi.com



client.experience@bennelongfunds.com



1800 895 388 (AU) or 0800 442 304 (NZ)

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 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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