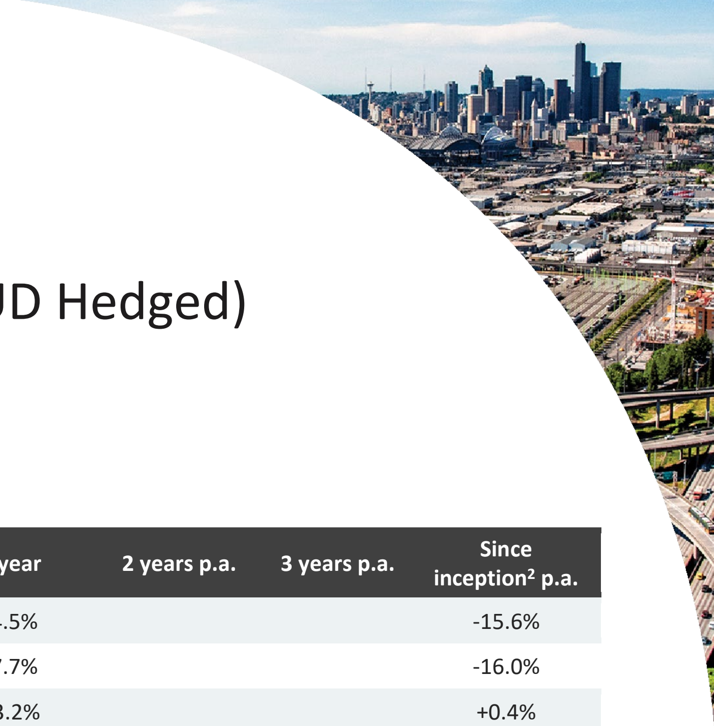


Quay Global Real Estate Fund (AUD Hedged)

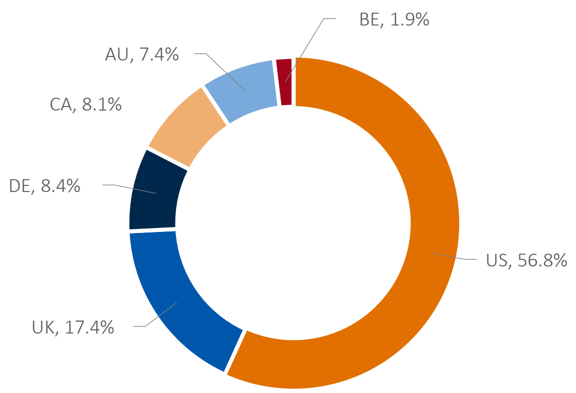
Performance report | 31 October 2023

Net client returns (after fees and expenses)

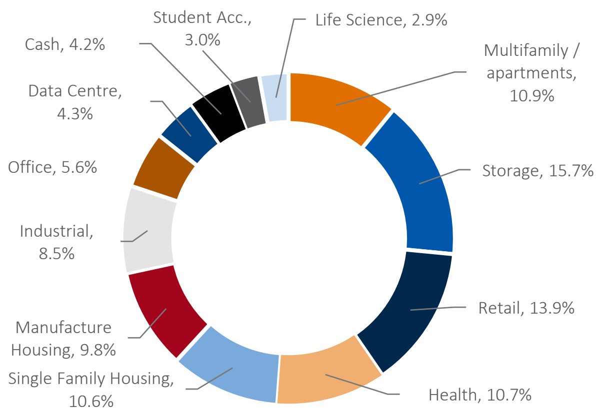
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception[2] p.a.
Fund	-2.8%	-11.3%	-8.0%	-4.5%			-15.6%
Benchmark[1]	-4.5%	-12.3%	-10.5%	-7.7%			-16.0%
Value added	+1.7%	+1.0%	+2.5%	+3.2%			+0.4%

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

Global equities suffered another negative month in October, down -2.6% in local terms but only -1.0% in AUD terms.

The unrelenting rise in Treasury yields remained a major concern for investors and a notable headwind. The market continued to come to grips with the idea of a higher-for-longer environment amid continued positive economic news. September payrolls, PPI, headline CPI, New and Existing Home Sales and Retail Sales were all positive.

What does this mean for real estate? In this month's Investment Perspectives, we explore the implications of 'higher-for-longer' for real estate and look back at the lessons learnt in past cycles.

The Australian market was down -3.8% in October, as weak employment data and a higher-than-expected inflation release rattled local markets.

Portfolio commentary

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

The strongest contributor in October was manufactured housing owner Equity Lifestyle Properties; it reported solid third-quarter results with positive 2024 rate growth guidance, which bodes well for earnings growth next year. Recent investee Digital Realty, a US-based global data centre owner, had a solid October. It reported in-line with expectations, with strong operating performance. Simon Property Group (US malls) positively contributed in October on the back of strong US economic data throughout the month. Simon reported at the end of October, which we discuss below.

The biggest detractors from the fund came from Storage with US storage investee Cubesmart and UK peer Safestore suffering a sell-off, as evidence came in throughout the month of weak self-storage pricing power in the US and weak economic conditions in the UK. German apartment landlord LEG Immobilien also detracted this month.

Reporting Season Comments

A number of our investees reported third-quarter earnings by the end of October. Most investees have reported quarterly earnings in-line with expectations and maintained earnings outlooks. Weak capital markets and a higher cost of debt continues to weigh on company outlooks, with caution around the economic outlook replaced by focussed concern around sectors with elevated levels of supply, namely sunbelt apartments and self-storage.

The residential sector has been a mixed bag, with tepid rental growth for coastal apartments and single-family homes, but rental declines for sunbelt apartments. While we have been cautious on sunbelt multifamily this year, the deceleration in market rents has exceeded even our bearish expectations (we have no exposure to this sector). New lease declines were in the mid-single-digits, with no positive guidance for 2024 (which incidentally bodes well for 2024 US CPI). West Coast landlord Essex reported a decent result, with management indicating positive earnings growth for next year, off the back of positive new lease spreads being signed right now.

In other sectors, our retail investees have reported positive results – both convenience and destination retail. Both Brixmor and Simon revealed positive leasing spreads and rising occupancy, with reassuring commentary from Simon management about capital management.

Office and industrial has been positive, with leasing volumes and occupancies holding up, and even earnings upgrades.

Portfolio Outlook

During the month we exited our long-term position in health care REIT Welltower which has performed extremely well over the past 12 months (one of our largest return contributors) and reduced the portfolio size to 22 securities. We still remain bullish regarding the long-term aging demographic theme, however, believe there is better value in this space elsewhere.

To date we are satisfied with the earnings updates from our investees. In most cases, earnings and cashflows are in line with our under-writing assumptions, and debt capital remains available for our high-quality issuers. We believe the portfolio is well positioned to meet our long-term return objectives.

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$66m
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]	0.7234
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.

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] 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.