

# Quay Global Real Estate Fund

## Monthly performance update

As at 28 February 2019

### 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	25
Inception date	30 July 2014 <sup>1</sup>
Recommended investment period	Long term (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV <sup>2</sup>	1.2185
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee <sup>3</sup>	0.82%

### Market Commentary

December 2018 seems long forgotten as equity markets continued the 2019 rally through the month of February, with global equities posting a +5.5% gain. The return of the 'goldilocks economy' has spurred risk appetite as fears of aggressive rate hikes, surging inflation and an overheating US economy have been replaced with a more moderate Federal Reserve stance amidst signs that the global economy is losing some momentum.

Historically such an environment has been good for equity values – moderating wage gains and low interest rates are good for corporate margins and high valuation multiples.

Australian equities enjoyed similar gains (up +5.8%), shrugging off some mixed results during earnings season and rewarding patient local investors with some catch-up performance.

### Fund Performance & Review

The Quay Global Real Estate Fund performed well in February, delivering a +3.2% total return albeit assisted by a +2.3% currency gain. The gains in currency reversed some of the headwinds in January, such that over the past two months the currency has neither added to or deducted from total returns – so performance for the calendar year to date (+10.3%) has been driven by stock returns.

All but three of our investees contributed positively to the Fund's performance in February, with Safestore, Sun Communities and Coresite contributing the greatest. Negative contributions came from LEG Immobilien, Scentre Group and Ventas.

It has been an important time for many of our investees – not only reporting full year results (most have a December year end) but also providing guidance and outlooks for their respective businesses.

We rarely expect any 'earnings shock' during this time, and so far this year we have not received any. In part this is due to our strategy to invest in simple, easy to understand rent based real estate opportunities (our strategy avoids deeply cyclical developers, fund managers, infrastructures, etc).

That is not to say that the price of some of our investments can't swing significantly on the day of a result. For example, during the month Scentre Group reported earnings slightly ahead of consensus and gave an outlook in line with market expectations and promptly fell 4% on the same day, underperforming Stockland Group which effectively announced an earning downgrade.

We attended a breakfast with Scentre Group after the result and have not heard or seen any news that alters our investment thesis we [outlined last year](#). The company continues to win sales share in the markets in which it operates, maintenance capital expenditure remains consistent with prior years, rent growth is expected to be +2.5% for 2019 and the portfolio remains effectively fully leased. However, sentiment to retail is poor.

The portfolio remains largely unchanged as we continue to back our long run themes of ageing demographics, home affordability, student accommodation and best in class retail. We did liquidate a small position in Canadian housing (Boardwalk) and re-invested the proceeds in some of our investees that have underperformed of late (Scentre, LEG and Ventas), reducing the number of stocks to 25 across the portfolio.

### Performance

Timeframe	Fund return (net) <sup>1</sup>	Index**	Value add
1 month	+3.2%	+2.3%	+0.8%
3 months	+7.8%	+7.3%	+0.5%
6 months	+4.8%	+3.9%	+0.9%
1 year	+26.9%	+22.7%	+4.3%
2 years (p.a.)	+14.0%	+9.6%	+4.4%
3 years (p.a.)	+10.8%	+7.8%	+3.0%
Since inception (p.a.)*	+15.1%	+10.6%	+4.5%

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 2014<sup>1</sup>

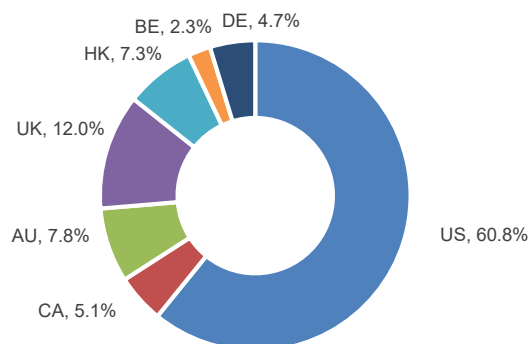
\*\* FTSE/ EPRA NAREIT Developed Index Net TR AUD<sup>4</sup>.

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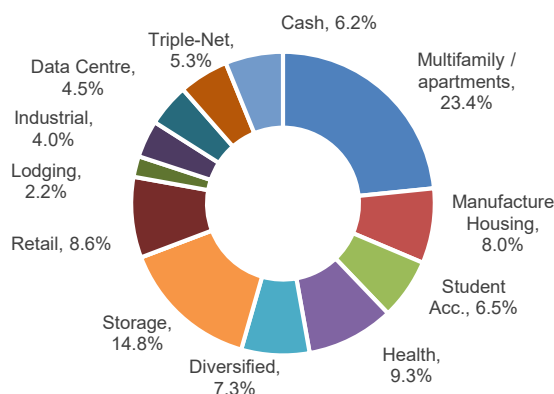
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### Geographic Weightings



### Sector Weightings



### How to invest

The Fund is open to investors directly via the PDS (available at [quayqi.com](http://quayqi.com)), or the following platforms.

Platforms	
ANZ (Grow)	Macquarie Wrap (IDPS, Super)
AON	Netwealth (Super Service, Wrap Service, IDPS)
BT (Wrap, Panorama)	Oasis (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (IDPS)

### Contact details

For more information, please call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit [quayqi.com](http://quayqi.com)

<sup>1</sup> 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 Services on 1800 895 388 (AU) or 0800 442 304 (NZ) or [client.services@bennelongfunds.com](mailto:client.services@bennelongfunds.com).

<sup>2</sup> Adjusted for expected withholding taxes.

<sup>3</sup> 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).

<sup>4</sup> 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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