

Quay Global Real Estate Fund

Monthly performance update

As at 31 July 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	26
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	1.3003
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%
Performance Fee	15.375% of the excess return over the greater of CPI and the FTSE/EPRA NAREIT Developed Index (net) Total Return (AUD)

Market Commentary

Global equity markets pushed +2.4% higher during July (including a +1.1% contribution from a weaker \$A) mainly driven by strong US Equities. Buoyed by the prospect of a well signalled month-end rate cut from the Federal Reserve, they did not disappoint, and US official interest rates were lowered by 25bps on the last day of the month. With that action the Fed ended a tightening cycle that started in 2015 and started a new easing cycle, 11 years after the last one finished.

Comments by the Fed cited that downside risks to US economic growth had risen materially and particularly those risks associated with ongoing trade negotiations and slowing economic growth abroad.

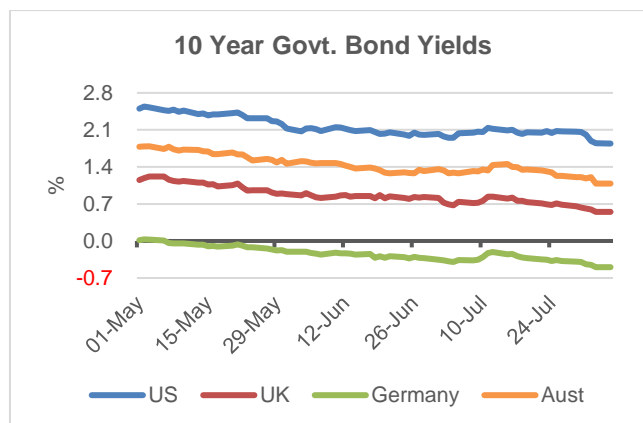
Pertinently the Euro Central Bank (ECB) left their interest rates unchanged at 0% and hinted that they could restart Quantitative Easing in response to stalled growth across the Eurozone, led by the largest economy in the region, Germany which as a large exporter is paying the price for the slowdown in global trade.

On the other side of the globe, the Chinese economy is also facing downward pressure and reported its slowest quarterly growth for June, since 1992, albeit at a still respectable 6.2%. However, exports to the US decreased by 8.1% in the first 6

months of 2019, with further deterioration expected particularly considering increasing tensions between the two nations.

Other notable events around the world that have the potential to give investors reason to worry included renewed and more intense protests in Hong Kong and a deteriorating outlook for the UK economy. The agenda of the new UK Prime Minister makes the chances of a no deal Brexit seem more likely. There are also rising geopolitical tensions with Iran and North Korea renewing their missile testing.

While equity markets were rejoicing the sugar hit of lower interest rates, global bond yields continued falling, a sure sign that bond investors believe that not all is well.



Source: Bloomberg LLC

Back in the real estate sector we are most of the way through 2Q and 1H19 reporting season for many of our investees and investment universe.

In the US there were few notable surprises with solid results from most investees. An exception was our Data Centre investee (Coresite) who revised guidance down based on some one-off events but also challenging leasing conditions in the North Virginia market where a lack of large-scale Cloud leasing is occurring at the same time elevated levels of supply are being delivered. Expectations are that the demand hiatus is temporary and a result of the Cloud companies absorbing prior 2017/18 record levels of leasing. North Virginia represents approximately 17% of Coresite's revenue and the company reports that all other markets are in demand/supply balance and that the long-term secular drivers for the sector remain intact.

Also, of note were our US apartment investees where on aggregate earnings guidance was increased owing to ongoing favourable demand/ supply dynamics.

While we don't have any exposure to UK retail, the operating environment seems particularly challenged with Hammerson reporting a -6.8% decline in like-for-like net rental income, Intu reporting a similar -7.7% decrease and Unibail Rodamco Westfield a -3.1% change in net rental income for their UK assets. Driving these declines amongst other things have been tenant failures and restructurings with particular weakness in high street fashion and department stores. For Hammerson and Intu their strategic priorities are now to decrease balance sheet leverage by selling assets into the weakness.

Quay Global Real Estate Fund

Monthly performance update

As at 31 July 2019

Fund Performance & Review

The Quay Global Real Estate Fund delivered a return of +1.6% for July driven in part by currency returns of +1.0%.

Our three best contributors for the month were Brixmor (US Retail), LEG Immobilien (German Apartments) and Store Capital (US Triple Net). Largest detractors were Coresite (US Data Centres), Wharf REIC (HK Retail) and Hysan (HK Diversified).

Our Hong Kong names have been buffeted by poor sentiment as a result of ratcheting trade wars and increasing protests in HK. While both these events have increased uncertainty, we take comfort that both our investees own high quality real estate, have very low balance sheet leverage and importantly that the implied pricing represents a massive discount to most value metrics. These attributes will allow us to be patient until the market become more rationale in its assessment of their value.

We also added a new investee to the portfolio, American Homes for Rent (AMH), which is in the US single family sector. AMH owns a portfolio of 53,000 houses across the US that it rents to people seeking rental accommodation. With supply levels of single-family homes still well below pre-GFC levels and renters increasing as a percentage of households the long-term fundamentals of the sector look positive.

It is also worth noting this month we tick over a milestone of 5 years track record. It seems like yesterday when we launched the Fund as the only 2 investors. Today the Fund has a value greater than \$100m and we have thousands of investors. To those who have supported and assisted us on that journey we thank you. In this month's [Investment Perspectives](#), we have reflected on some of the lessons learnt on the journey so far.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	+1.6%	+2.2%	-0.6%
3 months	+3.6%	+3.8%	-0.2%
6 months	+11.1%	+9.6%	+1.4%
1 year	+17.8%	+15.6%	+2.2%
2 years (p.a.)	+17.0%	+14.0%	+3.0%
3 years (p.a.)	+9.7%	+6.3%	+3.4%
5 years (p.a.)	+15.6%	+11.3%	+4.3%
Since inception (p.a.)*	+15.4%	+11.2%	+4.2%

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.

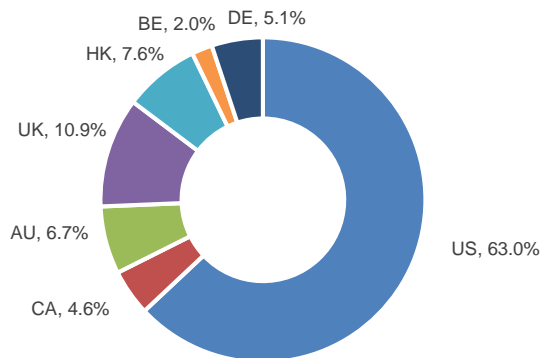


Quay Global Real Estate Fund

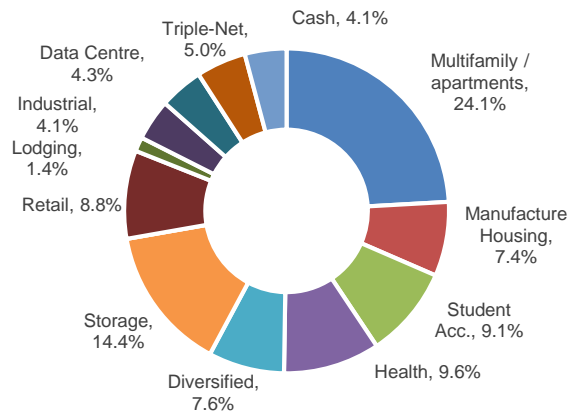
Monthly performance update

As at 31 July 2019

Geographic Weightings



Sector Weightings



How to invest

The Fund is open to investors directly via the PDS (available at quaygi.com), or the following platforms.

Platforms	
ANZ (Grow)	Mason Stevens
AON	MLC (Navigator, Wrap)
BT (Wrap, Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap)	Oasis (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (IDPS)
Macquarie Wrap (IDPS, Super)	IOOF (IPS, Lifetrack, Portfolio Services, Pursuit Select, Employer Super)

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 Services on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.services@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.

Disclaimer: This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the Quay Global Real Estate Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, bennelongfunds.com, or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at the date of this report. Quay Global Investors (ABN 98 163 911 859) is a Corporate Authorised Representative of Bennelong Funds Management Limited (BFML), ABN 39 111 214 085, Australian Financial Services Licence No. 296806.