

# Quay Global Real Estate Fund

## Monthly performance update

As at 31 March 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>	1.2594
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee <sup>3</sup>	0.82%

### Market Commentary

Global equities finished the month with another strong performance – +1.5% for the month and +11.5% for the quarter (in AUD terms).

In what appears to be the return of the “goldilocks” economy of not too hot, or not too cold, the US Federal Reserve signalled there will be no further expected increases in the cash rate this year – and expectations of additional increases beyond 2019 were tempered as recent data suggest US economic growth is slowing.

The European central bank (ECB) also pushed back the expected timing of its first-rate hike (from mid-2019 to at least 2020) as the Eurozone continued its lowest pace of growth in four years with Italy entering a technical recession by the end of 2018.

The pivot around global interest rates may have caught some by surprise, however as we highlighted in our Investment Perspectives article in April 2017, investors should always remain [wary of the 'reflation trade'](#). Inflation remains hard to predict (even for central bankers), and is becoming notoriously hard to target.

Brexit continues to dominate financial market headlines, and though we have a meaningful exposure to UK real estate we would not be honest if we said we knew the likely outcome of UK-EU negotiations and politics. Instead, we simply focus on high quality investment opportunities with robust balance

sheets, and businesses we expect to be resilient if there were an economic downturn. However as long-term investors we cannot escape sentiment, and our UK exposures weighed on our performance this month.

Australian equities again rallied in March, up +0.8% and +10.8% for the quarter, albeit underperforming global equities and global real estate. The upcoming federal election (with the opposition being short priced favourites), ongoing housing weakness and mixed economic growth (especially weak credit growth) are likely to weigh on sentiment in the near term. As such, consensus now appears that the next interest rate movement in Australia will be down – the debate now seems to be only around timing.

### Fund Performance & Review

The Quay Global Real Estate Fund performed well in February, delivering a +3.3% total return despite a mild -0.2% currency headwind. For the quarter the Fund returned +13.8%, including currency detracting -0.6%.

For investors keen to measure our relative return, the Fund performed well against global equities (+11.5%) and global real estate (+13.6%) over the quarter. We believe the portfolio is defensively positioned, and it was pleasing that the Fund's performance matched the broader market rally over the first quarter.

The largest contribution to returns for the month represented a diverse group of investees including LEG Immobilien (German residential), Scentre Group (Australian Retail) and Stag Industrial (US Industrial). Detractors were dominated via our UK exposures due to ongoing Brexit concerns, including Empiric (UK Student Accommodation) and Safestore (UK and European storage).

There has been very little new news regarding our investees and we remain comfortable with our current exposure, risk profile and outlook. There were no changes to the Fund during the month, however we hold some cash (6% of assets) to take advantage of any risk-off event in Europe relating to Brexit.

### Performance

Timeframe	Fund return (net) <sup>1</sup>	Index**	Value add
1 month	+3.3%	+3.7%	-0.3%
3 months	+14.0%	+13.6%	+0.4%
6 months	+10.7%	+10.1%	+0.6%
1 year	+25.3%	+22.3%	+3.0%
2 years (p.a.)	+15.9%	+12.1%	+3.9%
3 years (p.a.)	+11.4%	+8.5%	+2.8%
Since inception (p.a.)*	+15.6%	+11.3%	+4.3%

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>

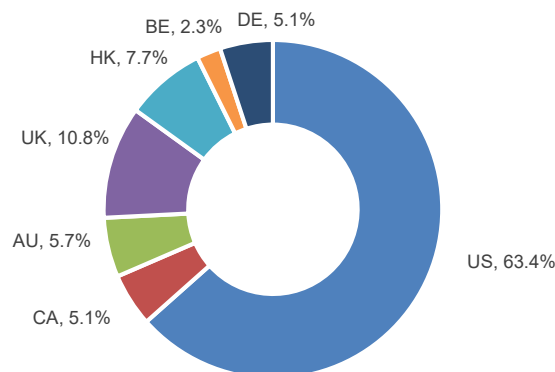
\*\* FTSE/ EPRA NAREIT Developed Index Net TR AUD<sup>4</sup>.

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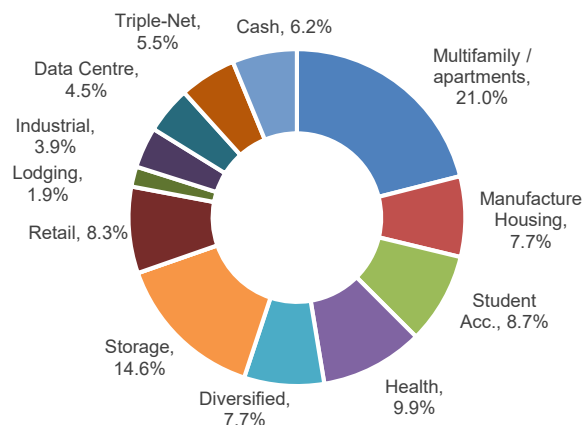
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### Geographic Weightings



### Sector Weightings



### Contact details

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

### 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

IOOF (Pursuit Select, Pursuit Select (PIS), Employer Super, Lifetrack, IPS, IDPS, Super, Pension)

ANZ (Grow) Macquarie Wrap (IDPS, Super)

AON Mason Stevens

BT (Wrap, Panorama) Netwealth (Super Service, Wrap Service, IDPS)

Hub24 (Super, IDPS) Powerwrap (IDPS)

Wealthtrac

<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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