

Quay Global Real Estate Fund

Monthly performance update

As at 31 May 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 ¹
Recommended investment period	Long term (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV ²	1.2888
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

The goldilocks run Global Equities has enjoyed since the start of the calendar year finished during May, as renewed fears about global growth weighed on sentiment. For the month, Global Equities returned -4.3% (in AUD terms) including a 1.5% benefit from a weaker A\$.

Weighing on equities markets was the decision by the US government to increase tariffs on the bulk of Chinese imports from 10% to 25%. China immediately responded and vowed to implement the 'necessary countermeasures'. In the background, the Chinese economy and international trade are slowing.

Bond markets took note, with the yield on the US 10-year treasury falling from 2.5% to 2.1% over the course of the month – an ominous sign of where bond investors think the US economy and US interest rates are likely headed. According to Bloomberg, the probability of the Federal Reserve cutting the Fed Funds rate at its July meeting has increased from 0% at the start of this year to 68% today. Similarly, the probability of a cut at the September meeting is now estimated at 96%. Quite a change from late last year, where the trajectory was one of continuing rises.

Such an environment is typically favourable for the relative performance of asset classes with more reliable income streams and lower operating leverage – such as real estate. Consequently, the Global Real Estate index outperformed Global Equities by +5.6% (in AUD terms), and we did a little better than that. This relative outperformance doesn't come as a

complete surprise, and is something we wrote about late last year in [Will the US yield curve invert?](#)

Australian Equities performed much better, returning +1.7%, encouraged by the Liberal/National Party coalition election victory. This is despite what seemed a plethora of bad news about the Australian economy. The RBA revised down their forecast of 2019 GDP growth from 2.5% to 1.75%. March retail sales were released pointing to weak consumer spending, and building approvals showed a year-on-year decline of 27.3%. Consequently, the AUD continued its slow grind down against most major currencies, except the GBP.

With building approvals topical, we have in this month's Investment Perspectives revisited the state of the Australian residential market: [What now for residential property?](#)

Fund Performance & Review

The Quay Global Real Estate Fund delivered a positive return of +1.7% for the month, including a currency benefit of +1.0%.

The largest positive contributors to returns were Coresite (US Data Centres), Ventas (US Health) and Leg Immobilien (Germans Apartments). Largest detractors were Wharf REIC (HK Retail), Hysan (HK Diversified) and Safestore (UK Storage).

We toured Hong Kong during the month and a recurring discussion topic was the impact the US/China trade wars could have on the HK economy and in particular retail sales if Chinese visitors were to drop off as a result of RMB weakness and or weaker economic growth in China. While operationally both investees are performing well, the market is obviously cautious about the near term. However, as both have best in class assets and negligible gearing we remain confident about the long-term outlook, and both appear good value on all metrics.

During the month UK Prime Minister Theresa May announced her resignation, in doing so throwing another blanket of uncertainty over the Brexit mess and the outlook for the UK. Our exposure to the UK consists of three investees exposed to two asset classes: storage and student accommodation assets, both of which we regard as defensive in nature.

There were no changes to the Fund during the month.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	+1.7%	1.3%	+0.4%
3 months	+5.7%	+4.6%	+1.1%
6 months	+13.9%	+12.2%	+1.7%
1 year	+20.9%	+17.4%	+3.4%
2 years (p.a.)	+14.0%	+10.1%	+3.9%
3 years (p.a.)	+9.7%	+6.7%	+2.9%
Since inception (p.a.)*	+15.6%	+11.1%	+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 2014¹

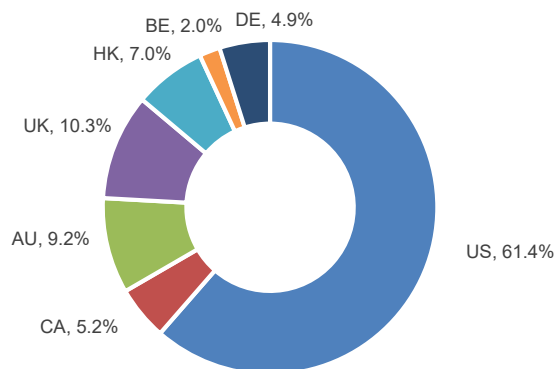
** FTSE/EPRA NAREIT Developed Index Net TR AUD⁴.

Quay Global Real Estate Fund

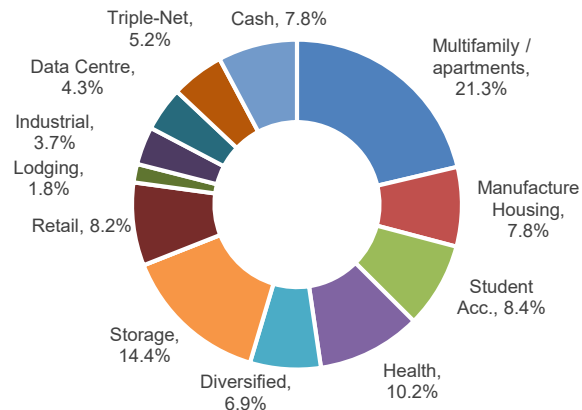
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Geographic Weightings



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)
Hub24 (Super, IDPS)	Oasis (Wealthtrac)
IOOF (IPS, Lifetrack, Portfolio Services, Pursuit Select, Employer Super)	Powerwrap (IDPS)
Macquarie Wrap (IDPS, 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.

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