

Performance report | 30 June 2024

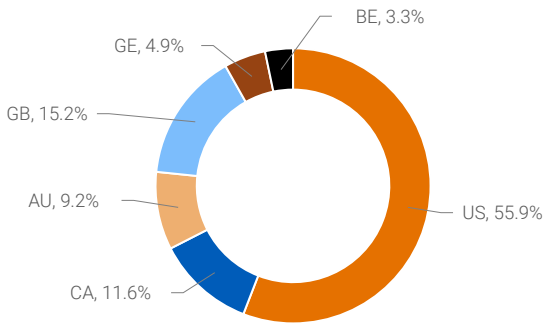
Quay Global Real Estate Fund (Unhedged)

Net returns

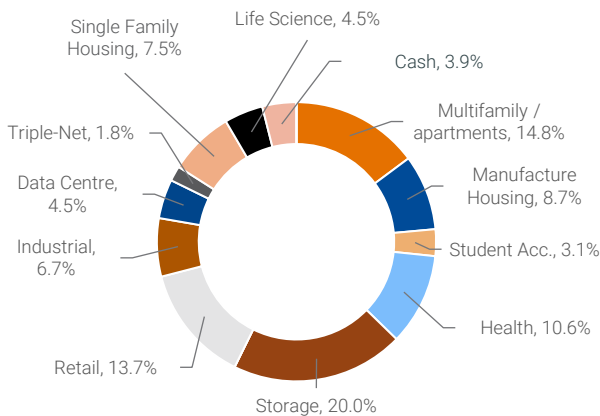
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception ² p.a.
Fund	-0.76%	-3.01%	-0.02%	+10.66%	+5.47%	+1.91%	+3.77%	+9.36%
Benchmark ¹	-0.08%	-4.69%	-1.61%	+4.20%	+1.36%	-0.98%	+0.30%	+5.43%
Value added	-0.68%	+1.68%	+1.59%	+6.46%	+4.12%	+2.89%	+3.48%	+3.93%

Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax. 'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

Geographic weighting



Sector weighting



Commentary

Global real estate had a muted month, with the index returning +0.67% on a local currency basis and -0.08% on an AUD basis. The fund returned net -0.76% in June.

Macroeconomic data released this month in the US was mostly dovish. US JOLTs (job openings), CPI, PPI and retail sales were below forecast. The US unemployment rate increased more than expected to 4%. Core PCE (the Fed's preferred measure of inflation) was in-line at +2.6% YoY.

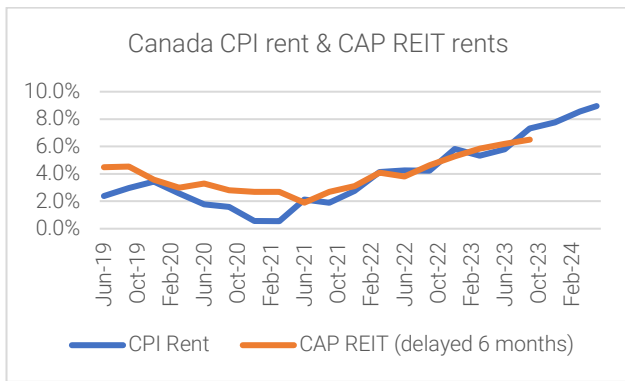
The US Federal Reserve left their policy rate unchanged this month as expected. However, their latest quarterly dot plot signalled just one rate cut in 2024, down from three in the previous edition.

In Australia, the RBA cited increasing upside risks to inflation as they left the cash rate on hold in their June meeting. The 'case for a rate cut was not considered.'

Elsewhere, both the Bank of Canada and the European Central Bank ('ECB') cut their policy rate as expected. However, accompanying commentary by the ECB was unexpectedly hawkish.

The market continues to swing month to month as investors try to forecast and position for central bank interest rate policy. In this month's [Investment Perspectives](#) we explore just how effective central banks are in their fight against inflation. We also highlight how ironically; high interest rates are actually driving up rents and inflation via a capital-cost price spiral.

The chart on the following page is one example of how high interest rates in Canada are effectively driving up overall inflation. As high rates restrict new supply, this drives up rents for existing apartment properties, which then feeds back into CPI via higher shelter inflation. A similar phenomenon is playing out in the US.



Source: Statistics Canada, CAP REIT

Some interesting real estate related news released during the month included:

- Chartwell raises CA\$345m via an oversubscribed equity offering to partly fund acquisition of 3,226 retirement suites in Quebec. The implied price of \$237k/suite is ~30% below replacement cost.
- KKR acquires a portfolio of ~5,200 apartment units across several US coastal and sunbelt metros for US\$2.1bn. This deal transacted at a ~5.1% cap rate and implies a pricing of ~\$400k/unit.
- Mirvac sells two office buildings, 367 Collins St Melbourne and 40 Miller St North Sydney, both at >20% discounts to their peak book values, at a cap rate of circa 6-6.5%. These sales valued the buildings at ~\$9,000s/sqm and ~\$11,500/sqm respectively.
- Dexus sells two office buildings, 5 Martin Place Sydney and 130 George St Parramatta at an estimated 6.1% and 10.5% cap rate respectively. These sales valued the buildings at ~\$17,500/sqm and \$3,500/sqm respectively. The sale price of 5 Martin Place was at a 24% discount to its peak book value in 2021.
- According to Costar, there is a record number of industrial properties in the US (that are 100,000sqft or more in size), within 30 minutes of seaports.

Top contributors to returns for the month came from positions in US Storage and US Data Centre. The main detractors were positions in the Storage sector in the UK and Europe.

Fund details

Feature	Information
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	24
Fund size	A\$588.8m
Inception date	30 July 2014 ²
Recommended investment period	Long term (5+ years)
Minimum investment (AUD)	\$20,000
Additional investment (AUD)	\$5,000
NAV ³	1.3471
Buy/Sell spread	+/-0.20%
Entry/Exit fees	Nil
Distributions	Bi-annual
Management fees and costs ⁴	0.87%

How to invest

The Fund is open to investors directly via the PDS (available on our [website](#)) or the following platforms. Visit [How to invest](#) to find out more.

Platforms

AMP (My North, North, Summit, iAccess)	Mason Stevens
BT (Asgard)	MLC (Navigator, Wrap)
BT (Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap, FirstChoice)	Oasis (Wealthtrac)
Dash	Powerwrap (IDPS)
Hub24 (Super, IDPS)	Praemium (Non Super, Super)
Macquarie Wrap (IDPS, Super)	

Get in touch



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¹ Benchmark is the FTSE/ EPRA NAREIT Developed 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 The Quay Global Real Estate Fund (Unhedged) 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 Experience on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.experience@bennelongfunds.com.

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.

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