Performance report | 30 November 2023

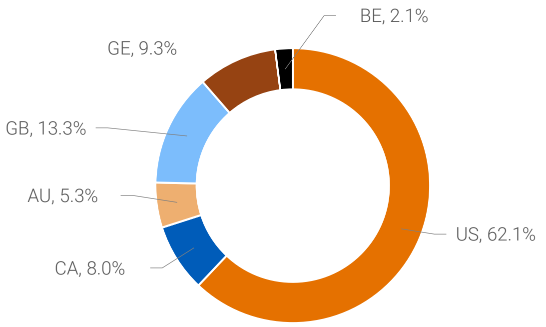
Quay Global Real Estate Fund (Unhedged)

Net returns

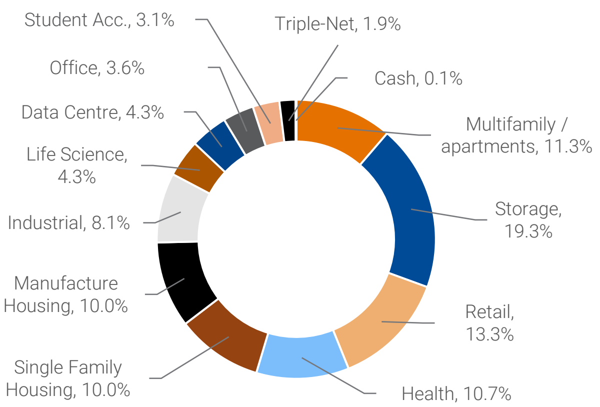
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	+7.10%	-1.22%	+5.08%	+5.54%	-5.43%	+5.39%	+5.13%	+9.17%
Benchmark[1]	+5.64%	-3.40%	-0.30%	-1.62%	-7.62%	+2.87%	+1.77%	+5.27%
Value added	+1.46%	+2.18%	+5.38%	+7.17%	+2.18%	+2.52%	+3.36%	+3.90%

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



Market commentary

Equities broke a three-month losing streak in November, posting their best month in well over a year. Global equities ended November +8.2% higher in local currency terms, with an even stronger AUD paring the gains to +4.4%.

The disinflation narrative, coupled with a softening labour market and peak Fed hawkishness, were the main drivers of the broad-based rally.

While October annualised CPI of +3.2% was slightly below expectations, October PPI declined -0.5% (against consensus +0.1%), with the prior month downwardly revised. October's monthly decline was the largest decrease in final demand prices since April 2020.

The Australian market was up +5.0% in November, despite an RBA rate hike, as investors also priced in a disinflation narrative.

Portfolio commentary

November saw the Fund return +7.1% as a strong AUD detracted -3.4% from what was a +10.5% local currency performance.

The strongest contributor in November was German apartment landlord LEG Immobilien; it reported good third-quarter results with accelerating rent growth. Management commentary suggests strong rental growth well into the future. The company also released its initial 2024 earnings guidance which looked conservative.

November also saw our UK storage investees positively contribute to the portfolio. As the self-storage sector in the US and Europe suffered notable share price declines in 2023, updates from UK investees Safestore and Big Yellow Group offered good operating updates from Europe and painted a stabilising picture in the UK. While SAFE operating results in the UK appeared weaker than that of Big Yellow Group, occupancy declines seem to be slowing;

with rate growth and solid balance sheets; an economic recovery in the UK would drive significant earnings growth going forward.

The biggest detractor from the fund was US West Coast apartment landlord Essex – but at -0.2% was hardly a detraction.

Portfolio outlook

We added two investees to the portfolio in November which we discuss below.

Safehold is regarded by some as a 'triple net' REIT – i.e. real estate where the tenant pays all outgoings related to the property – but it regards itself as a ground lease company. It owns a portfolio of 135 ground leases throughout the United States. These ground leases are usually over a very long period of time, up to 99 years, and cover various uses including apartments, offices, hotels and life science facilities. Our regular readers understand our focus on land as a store of wealth; manufactured housing, for example, is an asset class where the buildings are owned by tenants and the landlord collects a land rent. Land hardly needs any cost to maintain, and in Safehold's case, none whatsoever. We have been accumulating a position roughly 75% below its two-year high with its future cashflows being well underpinned by its inflation linked leases.

The other new investee in November is US self-storage REIT Extra Space Storage. Extra Space is the second largest storage REIT in the United States, and therefore the world. It owns a portfolio of more than 3,600 self-storage facilities across the United States, leasing just under 279 million square feet (25.9 million square metres).

We have been watching this company for approximately 5 years. After numerous impressive meetings with company management, we always found the stock a bit expensive compared with our opportunity set. Until this year. Higher rates meant lower home sales and the impact on occupancy and pricing was made apparent. EXR completed a merger with US self-storage operator (and former investee) Life Storage in July. This acquisition, on top of bearish investor sentiment around the self-storage sector, gave us our entry point into the stock around 50% below its all-time high set just two years ago.

Both Safehold and Extra Space were funded by taking profits from our outperforming stocks AMH and Empire State Realty Trust.

We continue to have high conviction in each of our investees, each with their own thesis of earnings growth based on sound demand and supply fundamentals. This month has been pleasing, but regardless of recent performance, we are confident the current portfolio is well positioned to meet and exceed our long-term investment objective.

Thank you

This month's *Investment Perspectives* offers some light holiday reading. We offer 12 of the most surprising charts for your Christmas stocking. As we said in the paper, we always try to ensure our articles are of some value to our readers and strive to ensure our conclusions are backed by research, analysis and hard data. It's this same rigour we apply to our stock analysis.

We would like to conclude this monthly report with a final year-end thanks to our investors and supporters. We take the responsibility of managing your money with the humility and gravity it deserves, and we continue to look forward to identifying the best research-backed global real estate opportunities into 2024.

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$495m
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]	1.3142
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)

BT Asgard (Infinity eWrap)

BT (Panorama)

CFS (FirstWrap)

CFS (FirstChoice)

Dash

Hub24 (Super, IDPS)

Macquarie Wrap (IDPS, Super)

Mason Stevens

MLC (Navigator, Wrap)

Netwealth (Super Service, Wrap Service, IDPS)

Oasis (Wealthtrac)

Powerwrap (IDPS)

Praemium (Non Super, Super)

Get in touch

quaygi.com

client.experience@bennelongfunds.com

1800 895 388 (AU) or 0800 442 304 (NZ)

[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.

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 (Unhedged). The Fund is managed by Quay Global Investors, a Bennelong boutique. This is general information only, and 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). Information about the Target Market Determinations (TMDs) for the Bennelong Funds is available on the BFML website. 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 document. Quay Global Investors Pty Ltd (ABN 98 163 911 859) is a Corporate Authorised Representative of BFML.