Performance report | 31 August 2024

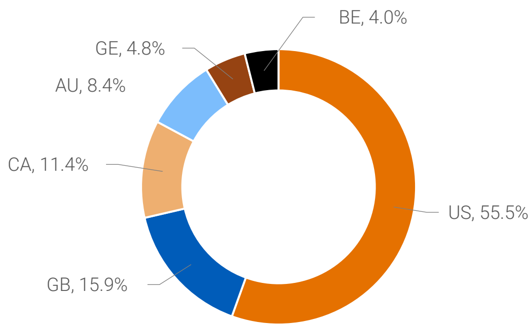
Quay Global Real Estate Fund (AUD Hedged)

Net returns

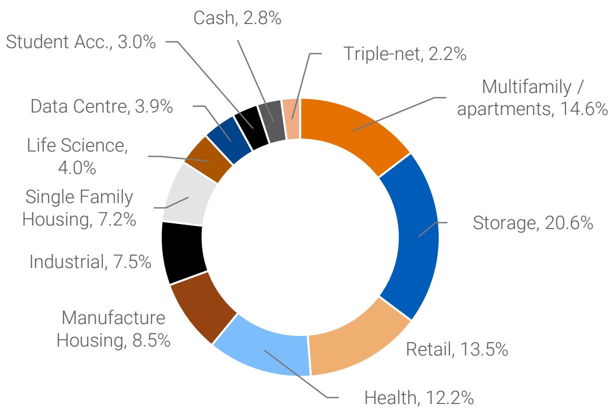
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception[2] p.a.
Fund	+5.00%	+9.76%	12.79%	+17.97%	+6.33%	-	-1.50%
Benchmark[1]	+5.00%	+11.52%	12.51%	+15.42%	+3.60%	-	-2.22%
Value added	+0.00%	-1.76%	+0.28%	+2.55%	+2.74%	-	+0.72%

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 strong month, with the AUD hedged index returning +5.0%. This is despite a tough start to the month for the sector (and for general equities). The Fund returned net +5.0% in August.

A series of soft US jobs data in the lead up to the start of August drove renewed fears of an impending US recession. This combined with worries around a potential unwind of the Yen carry-trade culminated in a global market sell-off starting on August the 5th. On that day, the Nikkei225 fell ~15% intraday, closing the day down 12.4% (largest fall since 1987), the S&P500 fell 3.0% and the Global Real Estate Index (AUD) fell 2.1%. Some pundits at the time were calling for an emergency US Fed rate cut, with market pricing an implied 60% chance of a 25bps rate cut within a week.

However, fears quickly blew over as subsequent jobs and PMI data were stronger than expected. The S&P500 recovered all its losses and posted an overall gain of over 2% for the month. As we discuss in this month's Investment Perspectives, it is our view that the probability of a US recession is low. With recession fears allayed, the imminent US rate cut cycle resumed driving returns – Fed Chair Powell stated in a recent speech that the 'time has come' for a shift to rate cuts.

Reporting season concluded this month and the sector overall fared well. In the US, 66% of REITs reported earnings ahead of market expectations. A stand-out was the healthcare real estate sector, with Ventas and Welltower in the US and Chartwell in Canada all reporting double digit growth in senior housing same-store NOI as well as continued growth in occupancy levels.

It is worth highlighting that many North American healthcare names have meaningfully outperformed in the year before the latest round of results – proving again that successful investing is about anticipating the theme, rather than waiting for it and jumping in with the crowd.

The Fund has a meaningful exposure to senior housing and healthcare and has done so for several years.

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

- Scentre Group announces a tender offer to buy back up to US$550m of its outstanding 2025 subordinated notes. Scentre intends to fund the repurchase through the issuance of new A$ denominated subordinated notes. This will provide earnings accretion due to interest expense savings.
- LEG Immobilien (German Apartments) issued a EUR500m convertible bond maturing Sep-2030. Conversion price of EUR117.5/share represents a ~37% premium to unaffected price. The deal positions LEG to have >EUR1.1bn cash by year end and they are now fully covered for all 2025 debt expiries.
- US Housing starts fell to 1.24m (seasonally adjusted annualised rate) in July, below consensus forecasts of 1.34m. Housing starts are now at the lowest level since mid-2019, excluding the covid-pandemic. The decline reflected a sharp pull-back in single-family starts which fell by 14.1%. Starts in the Multifamily segment increased for the second consecutive month, up 14.5%.

Top contributors to returns for the month came from positions in US Healthcare and European Storage. The top detractors for the month was from a position in US Industrial.

Fund details

Feature	Information
APIR Code	BFL3333AU
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	2 February 2022[2]
Recommended investment period	Long term (5+ years)
Minimum investment (AUD)	$20,000
Additional investment (AUD)	$5,000
NAV[3]	0.9199
Buy/Sell spread	+/-0.20%
Entry/Exit fees	Nil
Distributions	Bi-annual
Management fees and costs[4]	0.92%

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 North
BT (Asgard, Panorama)
CFS (Edge, FirstWrap)
Dash
Hub24 (Super, IDPS)
Macquarie Wrap
Mason Stevens
Netwealth (Super Service, Wrap Service)
Praemium

Get in touch

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[1] Benchmark is the FTSE EPRA/NAREIT Developed Hedged 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] Inception date is 2 February 2022.

[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.