Performance report | 31 December 2023

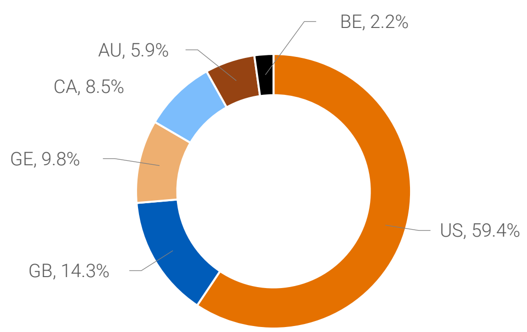
Quay Global Real Estate Fund (AUD Hedged)

Net returns

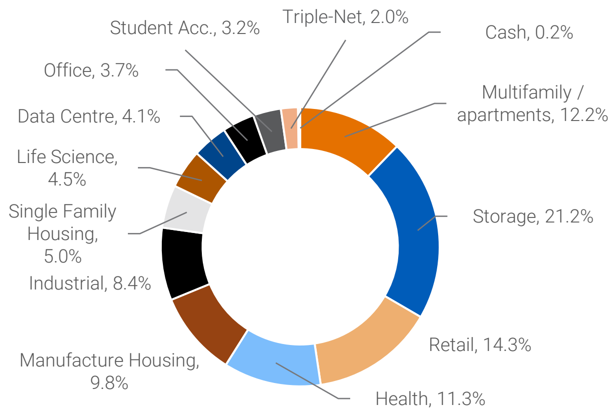
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception[2] p.a.
Fund	+9.24%	+16.93%	+11.90%	+13.72%	-	-	-5.65%
Benchmark[1]	+8.25%	+12.71%	+6.87%	+7.90%	-	-	-7.01%
Value added	+1.00%	+4.23%	+5.03%	+5.82%	-	-	+1.36%

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 continued to rally in December, with Global equities ending +4.1% higher in local currency terms, with a -2.1% currency headwind paring the gains to +2.0%.

This month saw the Fed openly talking about rate cuts. November annualised CPI of +3.1% was in-line with consensus and just below October's 3.2%. Fed Chair Powell said during the month that policymakers have now turned their attention to rate cuts as inflation continues to decline towards their 2% goal. This set the bond market off again, with US 10-year yields going full-circle, beginning the year at 3.88%, peaking at 5.02% in October and finishing at 3.88%.

Australian investors took the US lead, with the ASX 200 up +7.3% in December.

Portfolio commentary

December saw the Fund return +9.2%. With the month light on news, our self-storage names had a good December, with top contributor US storage operator Cubesmart, followed by UK operator Safestore. Australian shopping centre landlord Scentre also enjoyed a strong December.

On the other side of the ledger, US Data Centre landlord Digital Realty was our weakest performer this month, followed by US Single Family home landlord American Homes 4 Rent and US Manufactured Home landlord Equity Lifestyle Properties.

Calendar Year 2023 In Review

2023 started with predictions for a continuation of the 2022 bear market and a looming recession. A bank 'crisis' in March saw the 2nd biggest bank failure in US history, the 30-year fixed mortgage rate rose above 8% and the Federal Reserve raised rates four times, culminating in 525 basis points of rate increases since the start of their hiking cycle in March 2022.

While our performance suffered throughout the year from all the negative headlines, the economy was supported by a range of fiscal and liquidity measures. Despite all the negative commentary at the time, we had a more optimistic prognosis of the US economy and remain optimistic today.

Overall, the Fund managed to return +13.7% in 2023, a welcome return after a disappointing -21.3% in the prior calendar year.

The best contributor in calendar year 2023 was Chartwell, a Canadian seniors housing operator. After a delayed start, Chartwell's recovery from the COVID pandemic began in earnest this year, with occupancies and rental rates rising. New York landlord Empire State also had a stellar 2023, with negative sentiment around New York office making way for optimism by year end, as return-to-office rates slowly increased, and leasing volumes have demonstrated that perhaps the sky isn't falling in. German apartment landlord LEG Immobilien was also a strong contributor, as the market moves past valuation declines and looks to its demonstrated robust earnings profile.

Despite a positive year, Alexandria Real Estate Equities, a US life-science landlord, didn't have a great 2023 as the market focusses on continuing supply. Our UK exposures had a difficult 2023, with implications for US Manufactured Housing landlord Sun Communities downgrading earnings as a result of their UK business segment..

Portfolio outlook

The end of 2023 has been stellar – but we still see value in our universe. Despite stocks rallying, the effect of higher rates is only now being felt 'on-the-ground'. As the combination of elevated construction costs and higher interest rates bite, supply is tapering off in almost all markets, we are left with many investees facing less competition and renewed pricing power.

We continue to have high conviction in our investees, each with their own thesis based on sound fundamentals. 2023 has been a roller-coaster, but we are confident the current portfolio is well positioned to meet and exceed our long-term investment objective.

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	24
Fund size	A$105m
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]	0.8649
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 (Panorama)

CFS (FirstWrap)

Dash

Hub24 (Super, IDPS)

Macquarie Wrap

Mason Stevens

Netwealth (Super Service, Wrap Service)

Praemium

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 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.