

Performance report | 31 January 2024

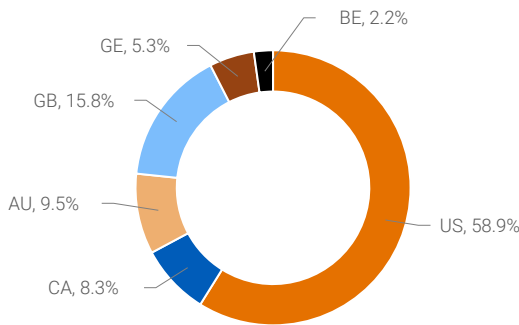
Quay Global Real Estate Fund (AUD Hedged)

Net returns

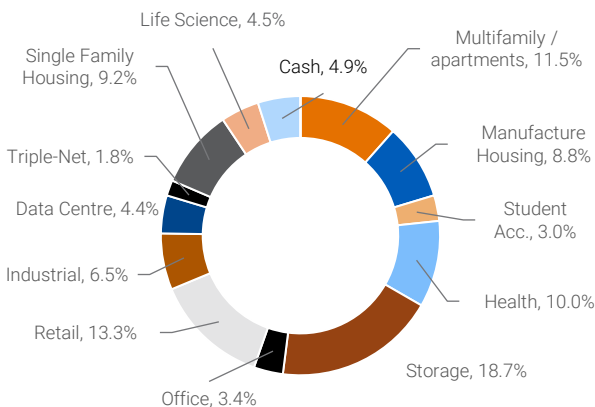
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception ² p.a.
Fund	-3.89%	+15.62%	+2.51%	-0.77%	-	-	-7.28%
Benchmark ¹	-3.43%	+13.97%	+0.00%	-3.53%	-	-	-8.34%
Value added	-0.47%	+1.64%	+2.51%	+2.76%	-	-	+1.06%

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

Global listed real estate had a muted start to the year, with the AUD hedged index returning -3.4%. After a strong close to 2023, the sector was hit this month as market enthusiasm for an imminent Fed rate cut was tempered by economic data releases. The most pertinent being that US GDP, retail sales and job openings were all stronger than forecast.

On the back of these data points, the implied probability of a rate cut by March, fell from 90% on 27th of December to ~40% by 31st of January. This is despite the release of the 4Q23 Core PCI (the Fed's preferred measure of inflation), which marked the first time in nearly 3 years the YoY growth was below 3%. It appears that the market currently views 'good' economic data as being 'bad' for rate cuts.

In Australia, economic data points were much 'weaker.' December Jobs fell -65k vs +17.6k expected, retail sales MoM fell -2.7% vs -0.9% expected; and 4Q CPI (both headline and trimmed mean) was cooler than expected. It was a similar story in Germany – retail sales and CPI both came in under expectations.

Though we are only one month into 2024, it is clear that interest rates, inflation and macroeconomic data remains the markets focus, and will continue to drive short term market fluctuations. In this month's [Investment Perspectives](#) we discuss our outlook for the year and delve into a selection of global real estate themes.

Turning the spotlight to real estate, some pertinent news released during the month include:

- Our investee Chartwell (Canadian Healthcare) provided an occupancy update where it upgraded

its forecast for January occupancy by a further 50bps. This would represent a recovery of +640bps since Apr-23. As a reminder, in our opinion, every 1% increase in occupancy equates to ~6% earnings growth.

- Blackstone acquired Tricon Residential (US single family) in a US\$3.5bn transaction, or an implied ~\$300k/home. Tricon is more levered and has more short-term debt than its listed peers. We estimate that the transaction price is ~20-25% below replacement cost. This transaction may be a sign that private equity is more willing to take advantage of discounted public valuations now that the rate hike cycle appears over.
- Data centre leasing activity continues to set new records. Over 1,500 MW was leased globally in 4Q23, surpassing the previous record of 1,300MW set in the prior quarter.
- The CMHC (Canadian Mortgage and Housing Corp.) released its annual rent and vacancy update on the Canadian rental market. National vacancy reached a 35-year low of 1.5%. Rent growth on turnover has accelerated to +24% nationally, including +40% in Toronto. Supply increased +1.7% nationally but fell -0.5% in Toronto.
- Reporting season commenced this month. Some notable data points include Equity Lifestyle Properties guiding to a strong 6% manufactured housing rental rate growth for 2024; Equity Residential beating market expectations for 4Q but new lease growth in the sunbelt, downtown San Francisco and Seattle is expected to remain weak.

Top and bottom stock contributors – January 2024

Top Contributors	Geography/Sector
Digital Realty	US Data Centre
Scentre Group	Australia Retail
Chartwell	Canada Health Care
Bottom Contributors	Geography/Sector
Ventas	US Healthcare
Safestore	UK Storage
Cubesmart	US Storage

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\$205m
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	0.8313
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	Mason Stevens
BT (Panorama)	Netwealth (Super Service, Wrap Service)
CFS (FirstWrap)	Praemium
Dash	
Hub24 (Super, IDPS)	
Macquarie Wrap	

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.

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