

Performance report | 30 November 2023

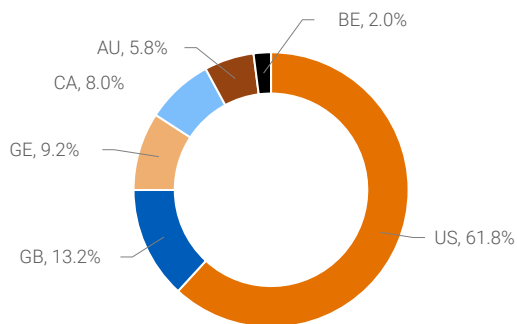
Quay Global Real Estate Fund (AUD Hedged)

Net returns

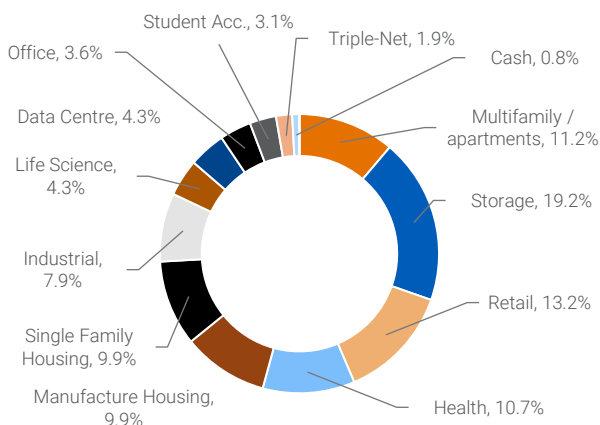
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception ² p.a.
Fund	+10.12%	+0.47%	+5.98%	+0.94%	-	-	-10.35%
Benchmark ¹	+9.03%	-1.68%	+1.50%	-4.15%	-	-	-11.26%
Value added	+1.09%	+2.14%	+4.48%	+5.09%	-	-	+0.91%

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 +10.1%, with the strongest contributor in November being 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	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\$74m
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	0.7967
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
CFS (FirstWrap)	Netwealth (Super Service, Wrap Service)
Dash	
Hub24 (Super, IDPS)	Praemium
Macquarie Wrap	

Get in touch



quaygi.com



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

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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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