Performance report | 31 August 2024

Quay Global Real Estate Strategy (Unhedged)

Overview

The Quay Global Real Estate Strategy ('the Strategy') invests in global listed real estate with a focus on rent-based total return opportunities, avoiding developers and emerging markets and seeking robust balance sheets and reliable long-term cash flows. Utilizing fundamental analysis in stock selection and concentrated, low-turnover portfolio construction, the management team aims to generate annualized real total returns in excess of CPI +5% over the long term.

The Strategy is managed by Quay Global Investors, a Bennelong boutique. Bennelong is part of the BFM Group, an investment company that partners with boutiques across the globe to deliver actively managed equity funds.

Gross returns ($USD)[1]

	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	10 years p.a.	Since inception[3] p.a.
Strategy[1]	+7.31%	+12.44%	+16.49%	+23.73%	+11.38%	+0.70%	+6.22%	+8.36%	+8.44%
Benchmark[2]	+6.26%	+13.06%	+13.72%	+17.45%	+5.52%	-2.56%	+1.26%	+3.08%	+3.12%
Value added	+1.05%	-0.62%	+2.77%	+6.28%	+5.86%	+3.26%	+4.95%	+5.28%	+5.32%

Past performance does not guarantee future results - investing involves risks, including the possible loss of principal. Performance represents the gross performance of the Strategy, which is currently only offered to non-US persons, and the performance of the index. Gross performance excludes fees and expenses. Performance has been converted from Australian dollars (the base currency of the Strategy) to US dollars. Investment returns may vary depending on currency exchange rates, expenses and other fees. See "Important Legal Information" at the end of this document.

Strategy managers

Justin Blaess

Co-founder, Principal & Portfolio Manager

Before establishing and co-managing the Quay Global Real Estate Strategy, Justin spent five years at ING Investment Management in Sydney, where he was portfolio manager for all the listed real estate investment strategies with over $2bn under management. He has also worked in corporate finance at major investment banks, where as part of their real estate investment banking teams he had experience on local and cross border M&A, debt and equity transactions. Justin started his finance career as a research analyst, first at HSBC and then Deutsche Bank, where with Chris he established and managed a REIT research team.

Chris Bedingfield

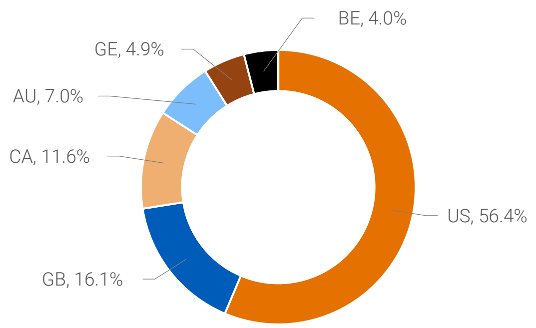
Co-founder, Principal & Portfolio Manager

Chris has nearly 30 years of experience working as a real estate specialist with a background in investment banking, real estate equities research and investment management. Prior to co-founding Quay, Chris was a senior member in the Real Estate Investment Banking group at Credit Suisse in Sydney and previously the Head of Real Estate Investment Banking Asia at Deutsche Bank. Chris started his career in real estate equity research, eventually becoming the head of research.

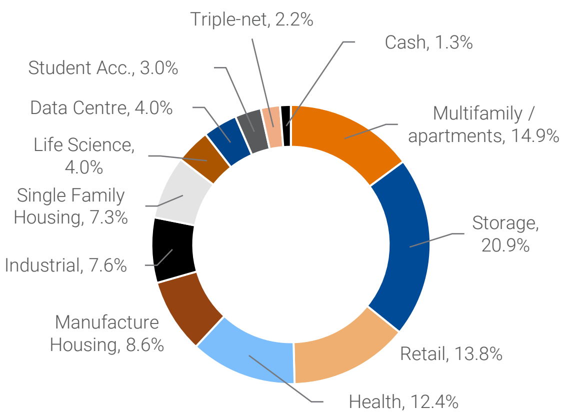
Strategy details

Feature	Information
Strategy	Global listed real estate
Index	FTSE/NAREIT Developed TR USD Index
Investment vehicles	Separately Managed Accounts; AUD Unit Trust

Geographic weighting



Sector weighting



Commentary

Global real estate had a strong month, with the index returning +6.3 % on a USD basis. This is despite a tough start to the month for the sector (and for general equities). The Fund returned net +7.3% in August, outperforming the index by 105bps.

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), and the S&P500 fell 3.0%. 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 Strategy 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%.

Get in touch

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Geographic and sector weightings are subject to change. There is no assurance that the geographic and sector weightings presented above will be maintained, and actual geographic and sector weightings experienced by a client may be different than those shown here.

[1] Returns have been converted to USD for the purpose of this report. Returns are calculated daily by Citigroup Pty Limited using the exchange rate available at the time of the calculation or end of day.

[2] 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. The index is designed to track the performance of listed real estate companies and REITS worldwide.

[3] The securities listed do not represent all of the securities purchased, sold, or recommended. A complete description of the performance calculation methodology, including further details of securities that contributed to performance, is available upon request. Please contact us for additional information.

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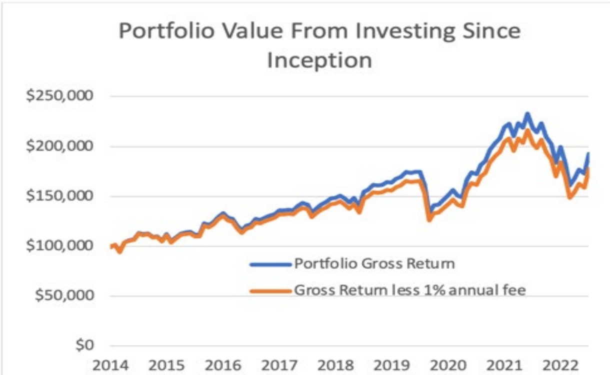

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Risk factors:

The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. If a fund uses derivatives for leverage, it makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss. Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. The fund may take positions that seek to profit if the price of a security falls. A large rise in price of the security may cause large losses. Failures at service providers could lead to disruptions of fund operations or losses.