Performance report | 31 December 2024

Quay Global Real Estate Strategy (Unhedged)

For Institutional Investors Only

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 ($AUD)

	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[1] p.a.
Strategy	-3.78%	-3.08%	+8.45%	+8.88%	+13.48%	+0.77%	+5.65%	+9.60%	+11.26%
Benchmark[2]	-2.23%	+1.19%	+13.06%	+11.24%	+10.10%	-0.88%	+1.55%	+5.12%	+6.41%
Value added	-1.55%	-4.27%	-4.61%	-2.36%	+3.38%	+1.65%	+4.10%	+4.48%	+4.85%

Performance figures include dividends and are 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.

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

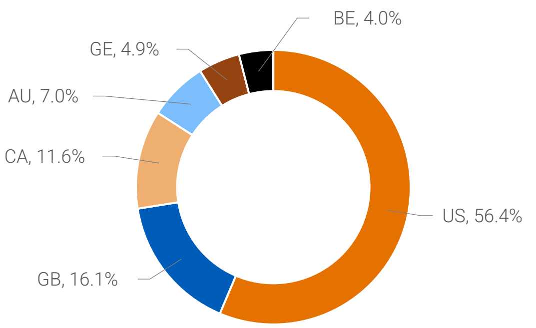
Chris has nearly 30 years of experience working as a real estate specialist with a background in investment banking, real estate equities research and investment management. Prior to co-founding Quay, Chris was a senior member in the Real Estate Investment Banking group at Credit Suisse in Sydney and 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.

A Bennelong boutique

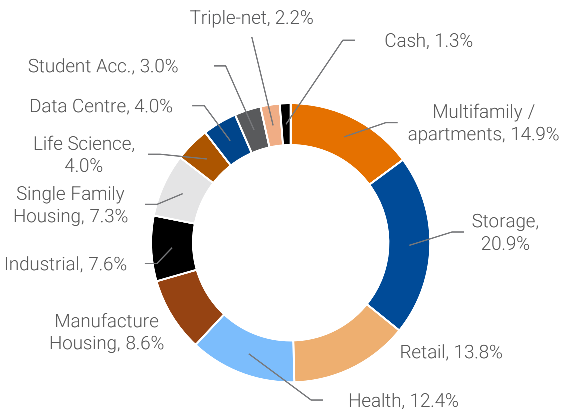
Strategy details

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

Geographic weighting



Sector weighting



Commentary

It was a challenging month and quarter for global real estate and the Fund. For the period ended December, the Fund returned -3.8% for the month, and -3.1% for the quarter. These returns were despite a positive currency contribution of +3.9% and +7.9% respectively.

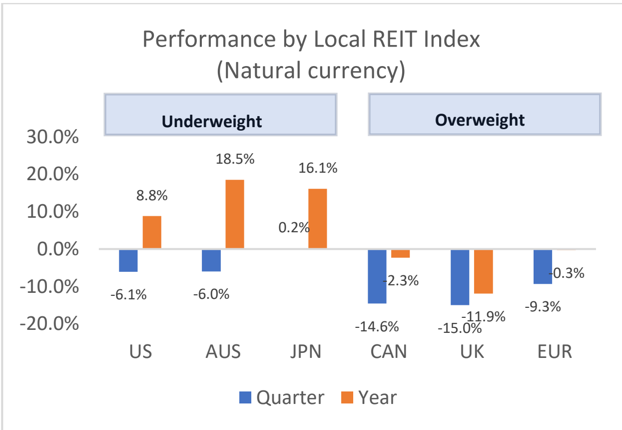
There was an array of factors that drove Fund returns which we summarise below.

- Post the US September rate cut, US economic data points continued to surprise on the upside, slowly repricing long end US treasuries.
- This was exacerbated in December, when Fed Chair Jerome Powell provided a "hawkish cut". That is, a signalling to investors future interest rate cuts were less certain and more driven by future data. Global bond yields in most jurisdictions reacted negatively.
- A change in immigration policy in Canada (a 2-year hiatus on net immigration) hit the REITs hard – particularly housing (in which the Fund has 6% exposure). In addition, President elect Trump's threat of tariffs created additional uncertainty.
- Political uncertainly in Europe where in France, prime minister Barnier resigned after opposition lawmakers voted to topple his government, and in Germany following the collapse of Chancellor Scholz's three party coalition in November. Both events negatively impacted sentiment on the continent.

Aside from the short-term change in Canadian immigration policy, most factors affecting returns continue to be macroeconomic and sentiment by nature – factors we believe will reverse over time.

In relative terms, the continued bull run in US equities helped US REITs compared to other geographies, however the sour sentiment in Europe dragged most of our positions significantly negative in the month and quarter. Along with the US, Japan and Australia also held up relatively well – markets where the fund has a relatively low weight.

The stark market performance difference by geography is highlighted below.



Source: Bloomberg, Quay Global

As a reminder, we do not invest based on geographic weighting, but based on bottom-up analysis. Because of our stock picking approach, the portfolio currently has an outsized weighting to Europe, UK and Canada – three regions that performed exceptionally poorly in the past month, quarter and year.

There was not much company news since late November apart from a Q4 trading update from Safestore (European storage) which we (and other market participants) viewed as marginally positive as the company confirmed they were on track to meet earnings expectations. That news did not prevent the stock declining -7.7% for the month and -25% for the quarter. Safestore was our largest detractor in the month.

2024 summary

The calendar year total return of 8.4% generally met our total return target (CPI + 5%) but was still somewhat disappointing as most of the returns was generated by currency rather than stock performance.

Safestore (Storage), Shurgard (Storage) and InterRent (Apartments) were the largest detractors for the year while returns from the big themes of healthcare and data centres were captured by our outsized exposure to Ventas, Chartwell and Digital Realty.

2025 outlook

We have made very few changes to the portfolio over the past month and quarter and see no reason to do so now. Despite the vicious change in sentiment since September last year (especially in UK / Europe), we believe our investees are well position to capture solid earnings growth driven by improving pricing power, and in many cases, backed by the strong thematic of ageing population, global housing shortages, and the secular growth of European self-storage.

Longer term, we continue to see evidence of a demand and supply mismatch in most real estate markets as the economics of building new supply remain challenging. This remains especially so in sectors such as senior housing, residential, and retail – sectors where the Fund retains a sizeable exposure.

Get in touch

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[1] The above data for the Strategy relates to the performance data for the Quay Global Real Estate Fund (Unhedged) ("the Fund"). The Fund was launched on 30 July 2014 by another trustee. Bennelong assumed responsibility as replacement trustee on 31 January 2016. Please contact the Bennelong Institutional team for performance history relating to this date.

[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.

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