Performance report | 31 December 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]	-8.55%	-13.50%	+0.54%	-1.21%	+8.44%	-4.48%	+3.00%	+6.58%	+6.98%
Benchmark[2]	-7.08%	-9.69%	+4.82%	+0.94%	+5.21%	-6.04%	-1.00%	+2.23%	+2.31%
Value added	-1.48%	-3.81%	-4.27%	-2.14%	+3.23%	+1.56%	+4.00%	+4.36%	+4.67%

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

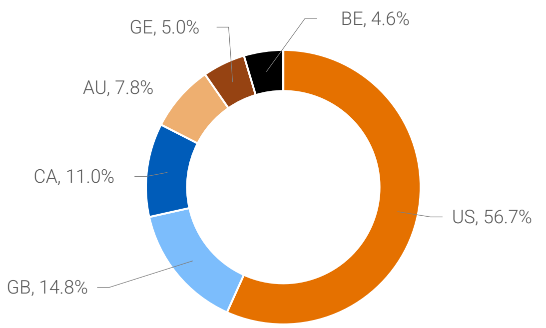
Co-founder, Principal & Portfolio Manager

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.

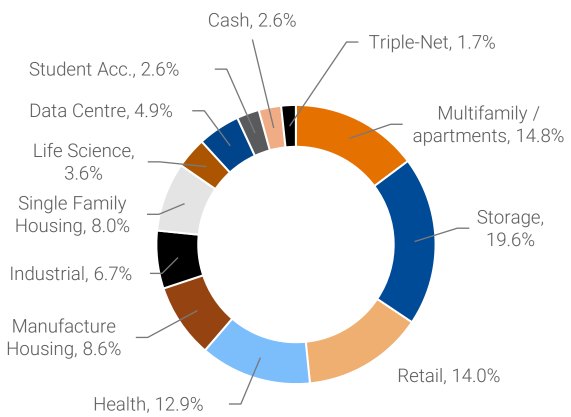
Strategy details

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

It was a challenging month and quarter for global real estate and the Strategy. For the period ended December, the Strategy returned -8.6% for the month, and -13.5% for the quarter.

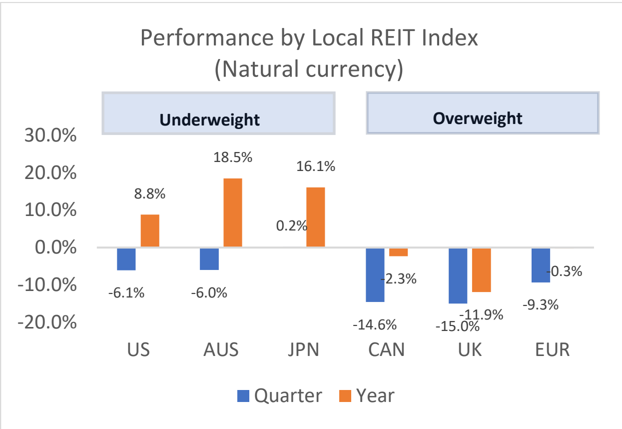
There was an array of factors that drove Strategy returns which we summarise below.

- 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 signal to investors future interest rate cuts were less certain and dependent on 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 Strategy 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 in 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 Strategy 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

Safestore (Storage), InterRent (Apartments) and Alexandrea Real Estate (Life Science) 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 Strategy retains a sizable exposure.

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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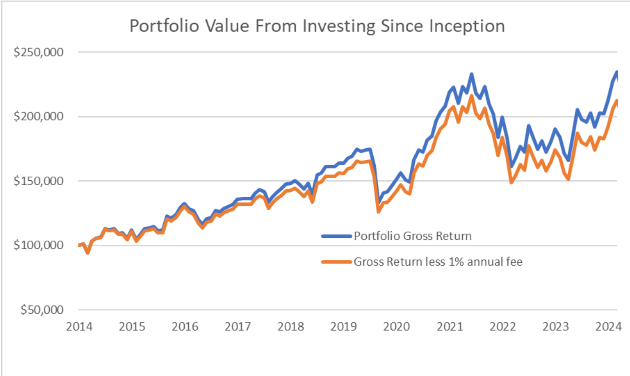

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Risk factors:

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.