

Performance report | 28 February 2025

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	+3.50%	-1.60%	-0.05%	+11.74%	+10.70%	+4.36%	+5.90%	+8.85%	+11.32%
Benchmark ²	+2.53%	+1.24%	+5.57%	+15.21%	+9.46%	+3.06%	+2.08%	+4.58%	+6.66%
Value added	+0.96%	-2.84%	-5.62%	-3.48%	+1.23%	+1.30%	+3.82%	+4.27%	+4.66%

Performance figures include dividends and are gross of any earnings tax, but after withholding tax.

¹'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

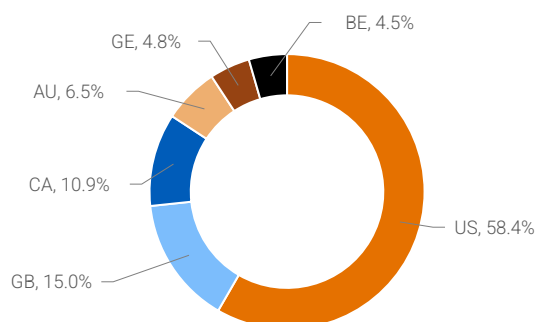
Co-founder, Principal & Portfolio Manager

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.

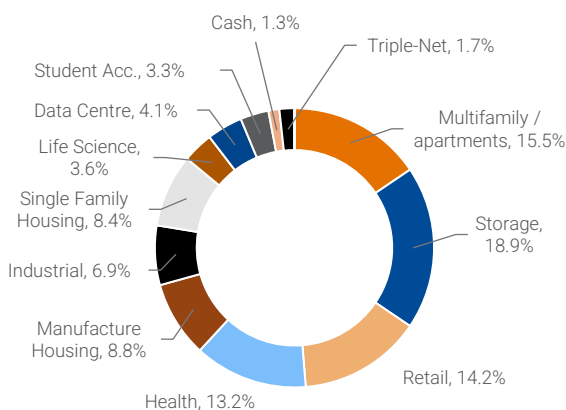
Strategy details

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



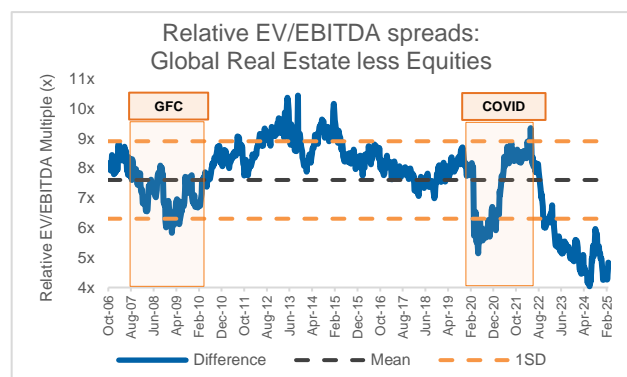
Commentary

The global real estate sector continued its positive start to the calendar year, with the AUD index returning +2.5% in February. The Strategy returned +3.5% for the month, outperforming the index by 96bps.

The real estate sector likely benefited from the rotation of capital out of global equities, as investors have become jittery about the long-term prospects of the US AI-trade (which has powered the returns of US equities), post the Deepseek announcement. Case in point, Nvidia fell -8.5% in the trading session after delivering a revenue beat for 4Q24 and guidance ahead of market expectations.

In our view, this rotation (if sustained) is only beginning. The chart below shows that global real estate is still significantly 'cheap' relative to equities – the current gap in valuation between the two asset classes are wider than

historic norms, and wider than the GFC and Covid periods. This is despite most real estate sub-sectors experiencing solid earnings growth, low supply, and western central banks are more likely to cut rates rather than hike from hereon.



Source: Quay Global Investors, Bloomberg

Another factor that has driven the strength in real estate sector returns this calendar year has been the fall in US treasury yields – which has dropped from a high of 4.9% in mid-January, to 4.6% at the start of February, and further to 4.2% by the end of month. Geopolitical fears around the new US administration's attitude to the war in Ukraine and the global trade wars has led to this fall in yields. We have written previously that our analysis shows that in recent years, there has been a negative correlation between US treasury yields and US REIT prices of ~90% in the short term i.e. when treasury yields fall, REIT prices rises.

Reporting season closed out this month. Stand outs include Ventas (US Healthcare) and Essex Properties (US West Coast Apartments) who were upbeat about future prospects. Both companies are operating in sub-sectors with low current and future supply (starts). In the case of Essex, west coast apartment supply as a % of total stock is a fraction of sunbelt areas.

Despite heightened market volatility in the first months of the new Trump administration, at Quay we remain focussed on our bottom-up approach to finding the best ideas in global real estate. In this month's [investment perspectives](#), we discuss our approach to stock based compensation in our valuation process and how companies can and do use this to significantly adjust their reported earnings.

Top contributors to returns for the month came from positions in US Healthcare and US Apartments. The top detractors for the month were our positions in Australian Retail and US Data Centre.

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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