Performance report | 31 January 2025

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]	-0.45%	-8.02%	-4.74%	+2.30%	+2.34%	-2.57%	+2.85%	+5.90%	+6.87%
Benchmark[2]	+1.74%	-3.20%	+0.57%	+6.99%	+1.66%	-3.62%	-0.82%	+1.91%	+2.46%
Value added	-2.19%	-4.82%	-5.31%	-4.70%	+0.69%	+1.05%	+3.67%	+3.68%	+4.41%

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

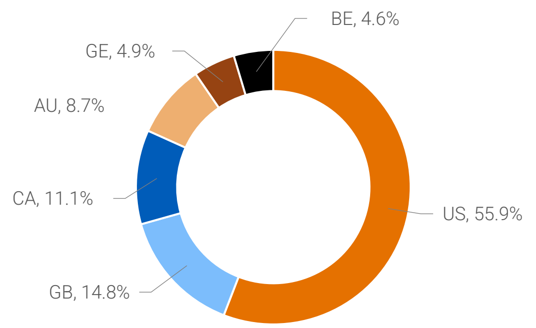
Co-founder, Principal & Portfolio Manager

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.

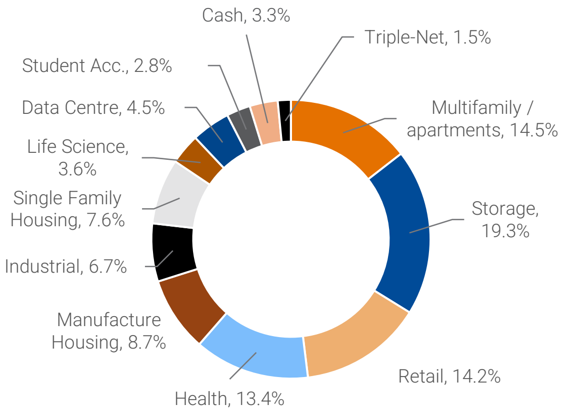
Strategy details

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

In January, the Global Real Estate index (USD) returned +1.7% and the Strategy returned -0.5%.

It has been an eventful start to the new year. The US market was shaken by news that Chinese AI chatbot DeepSeek outperforms its US competitors despite being developed at a much lower cost. Investors began to question the assumption that the US will be the global leader of AI and whether the super-cycle of US AI capex spend will be as large as most had forecasted.

This is perhaps the first real crack in the AI-trade which has powered the US equity market in the past couple of years. Nvidia fell -17% on the subsequent trading day. Other semiconductor companies, along with other AI beneficiaries, such as power-related companies and data centre owners were also hit.

Global real estate (outside of data centres) were largely immune to the market sell-off. It is still too early to call what the long-term impact will be on data centre prospects, however most pundits are of the view that lowered AI training costs will lead to more uptake/demand for AI, and hence data centres. However, the type of data centre demand may change, with more compute devoted to inference rather than training. While the long-term impact is still unclear, in our opinion this is unlikely to be positive for speculative developers who have only recently entered the data centre space.

Another key issue weighing on markets this month was Trump's continued threats of tariffs on Canada, Mexico and China (which eventuated at the start of February). This added further uncertainty to global markets as investors tried to forecast the potential impacts.

January was also a busy month on the central bank front. In-line with market predictions, the US Federal Reserve held rates steady and both the European Central Bank and the Bank of Canada cut their rates by a further 25bps. Most central banks are taking a cautious (wait-and-see) approach with their rate decisions due to the upcoming trade wars, as well as the impact of changes to US tax and immigration policies.

Reporting season began during the month. The biggest news to date was from US Industrial REIT Prologis. It rallied this month, with investors jumping on the prospect of green shoots in US Industrial market conditions. This is despite Prologis reporting lower than expected absorption for 4Q24, and indicating rents and occupancy has further to fall before recovering. Meanwhile elevated supply will continue to be delivered.

Markets continue to throw at us new challenges in the short term. At Quay we remain focussed on investing for the long term in quality companies that align with our investment philosophy and process. In this month's investment perspectives, we highlight one such idea, Safehold, currently the only listed pure-play ground lease company in the world.

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

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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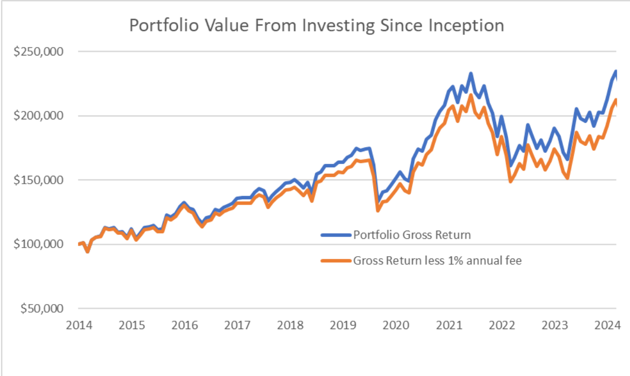
The performance figures provided in this report are gross, and do not reflect the deduction of investment management fees, and any return may be reduced by management fees and any other expenses incurred in the management of the account. Actual fees are available upon request and will vary depending on, among other things, the applicable fee schedule and account size. On the right is a hypothetical example showing the effect that an investment management fee of 1%, and no performance fee, would have if $100,000 was invested in the Strategy since inception.



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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.