Performance report | 30 November 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]	+1.04%	-2.48%	+9.65%	+19.11%	+11.99%	+0.48%	+4.98%	+7.65%	+7.97%
Benchmark[2]	+2.39%	+0.11%	+13.19%	+18.90%	+7.60%	-1.73%	+0.57%	+3.02%	+3.06%
Value added	-1.35%	-2.59%	-3.54%	+0.21%	+4.39%	+2.22%	+4.41%	+4.63%	+4.91%

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

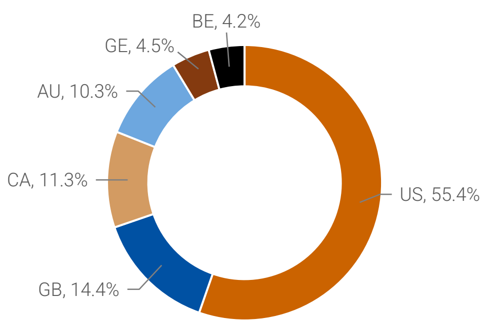
Co-founder, Principal & Portfolio Manager

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.

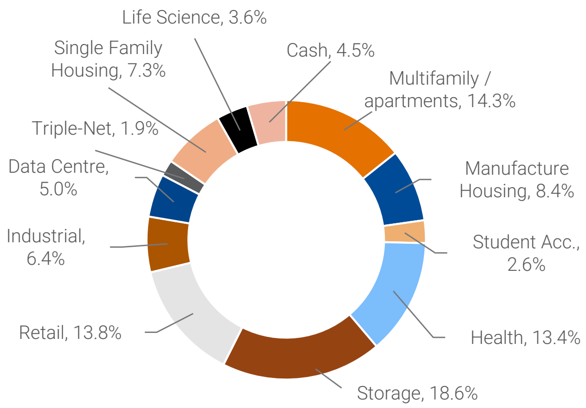
Strategy details

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 positive month, with the Index and the Strategy returning +2.4% and +1.0% respectively on a USD basis.

The US election dominated market attention this month. With Trump now elected as the next president, the top-of-mind question for many investors and market participants appears to be how to best position for Trump 2.0. This is especially pertinent as the Republicans will also control the House and Senate. Current market consensus is that a Trump presidency will result in higher economic growth and higher inflation in the US. In fact, bond yields had been rising in the weeks leading up to the election to factor in this possible outcome. In this month's investment perspectives, we explain why in our view, Trump 2.0 may not end up as inflationary / pro-growth as the market believes.

On a central bank front, the US Federal Reserve cut its benchmark rate by a further 25 basis points this month. Chairman Jerome Powell subsequently tempered market enthusiasm by indicating 'the economy is not sending any signals that we need to be in a hurry to lower interest rates. It was a similar tone in the UK, with the Bank of England implying a slower interest rate cut cycle after it lowered its benchmark rate by a further 25 basis points. The bank revised its inflation forecasts upwards to reflect the expected impact of the recently announced UK federal budget.

Reporting season for third quarter earnings concluded this month. According to Citi, 49% of US REITs beat market expectations. A standout was American Healthcare REIT (US Healthcare), which reported earnings that beat market expectations by ~20%. It achieved year-on-year same-store net operating income growth of +22.6% and +61.8% respectively from its integrated senior health campus and senior housing assets.

Some interesting real estate related news released during the month included:

- Leg Immobilien (German Apartments) acquires remaining 63% stake in Brack Capital Properties (~9,100 German apartments with 90% regional overlap to LEG) for EUR45.00/share. Pricing represents a 7.5% gross rental yield (versus LEG portfolio of 4.9%) and EUR1,120/sqm (versus LEG portfolio of ~EUR1,600/sqm)
- Blackstone acquires ROIC (US strip retail) for $17.50/share in an all-cash deal worth US$4billion. This represents a 34% premium to ROIC's unaffected share price and implies a cap rate of 6.2%
- HMC Capital's data centre portfolio, Digico Infrastructure REIT will list on the ASX in December with a market capitalisation at listing of $2.75bn and an enterprise valuation of $4.2bn. Pricing represents a 26.1x pro-forma annualised adjusted EBITDA for 2025
- 60.1% of Californian voters in the US General Election voted against repealing the Costa-Hawkins Rental Housing Act (Prop 33), which limits the ability of local authorities to enact rent control
- According to data from Colliers, US industrial vacancy in 3Q24 increased by 19 basis points to 6.6%. New supply of 76 million square feet (lowest level since early 2021) was delivered during the quarter against net absorption of 39 million square feet

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

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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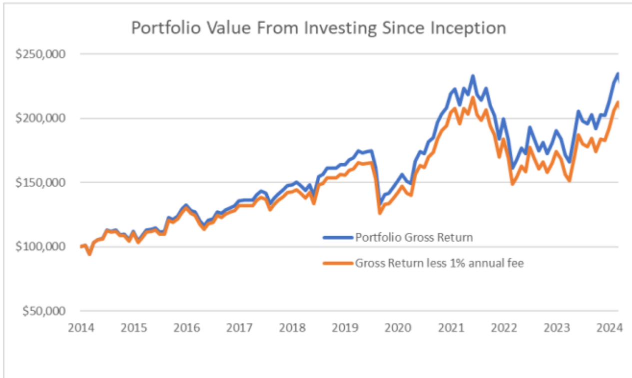

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Risk factors:

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.