Performance report | 31 October 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]	-6.38%	+3.57%	+14.42%	+32.27%	+14.50%	-0.57%	+4.61%	+7.75%	+7.92%
Benchmark[2]	-5.08%	+3.90 %	+14.31%	+28.46%	+9.86%	-3.23%	-0.15%	+2.86%	+2.85%
Value added	-1.30%	-0.33%	+0.10%	+3.81%	+4.64%	+2.67%	+4.77%	+4.89%	+5.08%

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

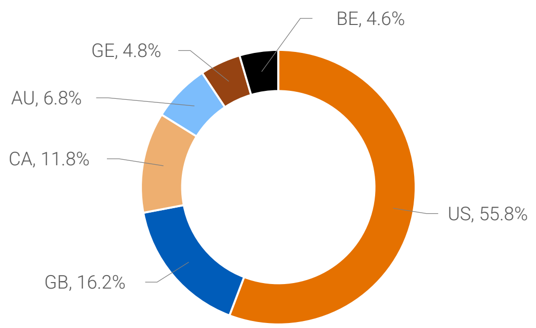
Co-founder, Principal & Portfolio Manager

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.

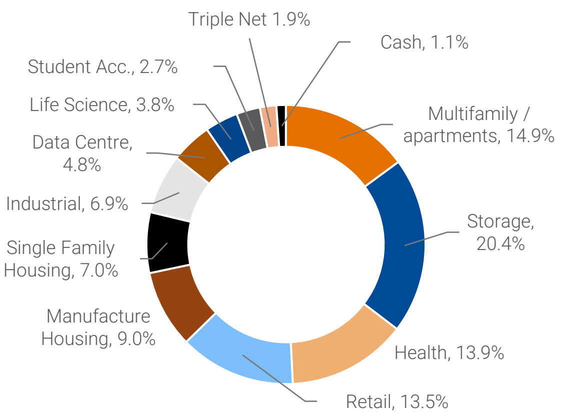
Strategy details

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 rough month, with the Index and the Strategy returning -5.1% and -6.4% respectively on a USD basis. This weakness was likely driven by a combination of US election uncertainty and rising bond yields. The US 10-year bond yield has risen from ~3.6% in mid-September to ~4.3% by the end of October. Expectations around the current US interest rate cut cycle have lowered on the back of strong economic data (jobs, retail sales). Fears regarding the inflationary policies of a possible Trump presidency also weighed. As a reminder, in the short term, bond yields and REIT prices have shown a high negative correlation.

Elsewhere, the Bank of Canada cut its benchmark rate by a further 50 basis points as Canadian inflation fell to +1.6% in September. In the UK, inflation fell to +1.7%, the lowest rate in three and a half years. The UK Labour government released its first federal budget on October 30 – with big increases in both spending and taxation planned.

Reporting season for third quarter earnings began this month. A clear standout so far was US hyperscale data centre REIT Digital Realty, which reported US$521m of new leases signed during the quarter (more than double its previous record set in the first quarter). The stock rose by as much as +17% intra-day in the following trading session.

Meanwhile the Healthcare and Retail sectors continued to report exceptional results as both sectors face strong demand amidst low levels of supply. In this month's Investment Perspectives, we have done a case study of Nike's decision to pursue and subsequently abandon its transition to a predominantly online retailing strategy. This paper highlights the importance of physical retail space even for a recognised brand name like Nike.

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

- US retail availability remains tight in 3Q at 4.7%, unchanged from 2Q according to data from Colliers. Low levels of new construction kept the availability stable despite a decrease in net absorption this quarter
- The UK housing market sees both activity and prices rebounding, likely driven by lower mortgage rates. Housing sale activity is up 29% YoY according to Rightmove
- According to data from the National Investment Center for Senior Housing & Care ('NIC'), starts in US senior housing decelerated for the 20th consecutive quarter. Current construction pipeline is 3.3% - the lowest level seen in 12 years. Occupancy for the sector rose to 87.1%, just 20bps below pre-covid levels
- According to CBRE, US Lab/R&D leasing activity increased in 3Q24 by +14% quarter over quarter to 3.1million sqft. Total space under construction fell to 17million sqft, the lowest since 1Q21
- US office net absorption increased to 4.3 million sqft in 3Q24, the second consecutive quarter of positive absorption according to CBRE. 24 of the 57 markets tracked by the company recorded positive net absorption, led by Manhattan with 3.4 million sqft

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

Get in touch

bennelongfunds.com

quaygi.com

Jonathan Wakeman, CIMA®

Institutional Distribution Executive

Bennelong Funds Management
Level 26, 20 Bond Street, Sydney NSW 2000
M +61 459 871 748
E jonathan.wakeman@bennelongfunds.com

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.

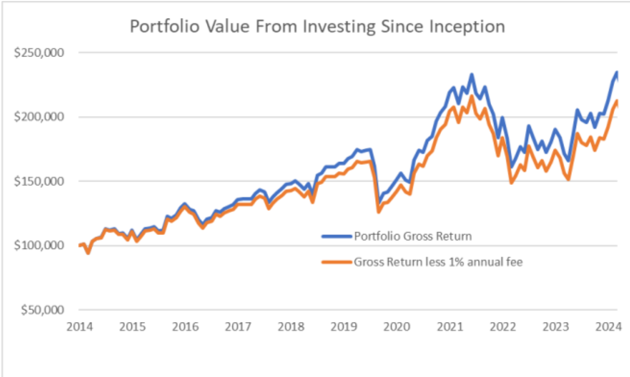
3 The securities listed do not represent all of the securities purchased, sold, or recommended. A complete description of the performance calculation methodology, including further details of securities that contributed to performance, is available upon request. Please contact us for additional information.

IMPORTANT LEGAL INFORMATION:

The information in this document is intended for use by institutional investors only and is not for retail use. It must not be acted, or relied, upon by any other persons.

This information has been prepared by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) ("BFML") in relation to the Strategy. The information provided does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund), or in any fund or separate account for which a BFML affiliate is the investment manager or sponsor. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information.

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.



Past performance is not indicative of future results. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. The performance results include the reinvestment of all dividends, interest, and capital gains. Any projections, market outlooks or estimates contained in this presentation constitute forward looking statements and are based on certain assumptions and subject to certain known and unknown risks. Accordingly, such forward looking statements should not be relied upon as being indicative of future performance or events.

This document is provided for informational purposes only and should not be construed as investment advice. It is not a recommendation of, or an offer to sell or solicitation of an offer to buy, any particular security, strategy, or investment product.

BFML's research for this report is based on current public information that BFML considers reliable, but BFML does not represent that the research or the presentation is accurate or complete and it should not be relied on as such. BFML's views and opinions expressed in this document are current as of the date of the document and are subject to change. This document may not be reproduced or distributed by the recipient, in whole or part, except that this document may be provided to the recipient's advisers in connection with an evaluation of a potential investment.

In the United Kingdom, this document is only available to persons who are (i) investment professionals within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FP Order"), (ii) high net worth companies and certain other entities falling within Article 49 of the FP Order; or (iii) to any other persons to whom such communications may lawfully be made. It must not be acted, or relied, upon by any other persons.

Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. The performance of the index represents unmanaged, passive buy-and-hold strategies, investment characteristics and risk/return profiles that differ materially from managed accounts or investment funds, and in investment in a managed account or investment fund is not comparable to an investment in any index or in the securities that comprise the indices. The volatility of the index may be materially different from the individual performance attained by a specific investor. In addition, the Strategy's holdings may differ significantly from the securities that comprise the index. The index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. You cannot invest directly in an index. Information is current as at the date of this document, and may change without prior notice.

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.