

Performance report | 30 September 2024

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	+0.83%	+11.89%	+8.77%	+27.37%	+16.18%	+5.14%	+6.04%	+12.06%	+11.90%
Benchmark ²	+0.75%	+11.73%	+6.49%	+19.88%	+10.16%	+1.75%	+0.82%	+6.50%	+6.45%
Value added	+0.08%	+0.16%	+2.28%	+7.49%	+6.02%	+3.40%	+5.22%	+5.56%	+5.45%

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

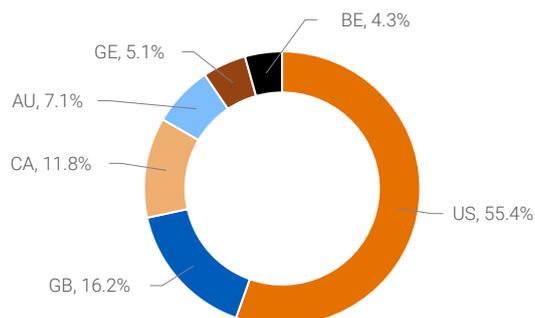
Co-founder, Principal & Portfolio Manager

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.

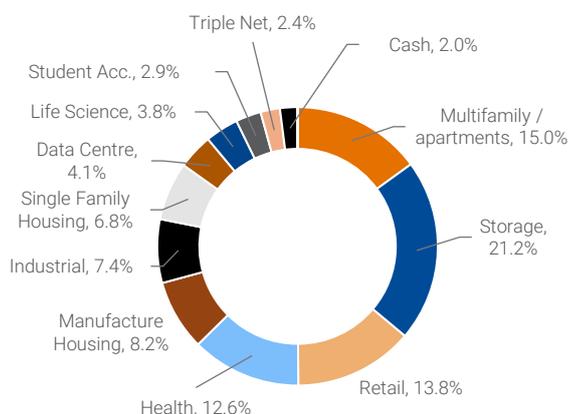
Strategy details

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

Global real estate had a positive month, with the index returning +2.5% on a local currency basis and +0.7% on an AUD basis. The Fund returned +0.8% in September, roughly in-line with the index.

The highly anticipated rate cut cycle began in the US this month, with the Fed cutting its target rate by 50bps. This likely drove the further positive performance of the sector, which on a 1-year basis has returned +19.9%. The Fund has returned +27.4% over this period, outperforming the index by +7.5%.

Recent US economic data points have dampened market fears of a recession. A series of initial jobless claims data came in under expectations, and US wage growth and retail sales both were higher than expected.

Elsewhere, the European Central Bank continued its rate easing cycle, lowering its target rate by a further 25bps and later hinted of another cut in October. The Bank of Canada cut for the third consecutive time, lowering its target rate by another 25bps. In Australia however, the RBA continues to be relatively hawkish, with Governor Bullock pushing back against market expectations of a rate cut this year. This combined with news of Chinese fiscal stimulus to support its ailing economy, led to a strong rise in the Australian dollar this month.

Our team recently travelled across the US, meeting with companies from the US and Canada. Overall feedback is that in many sub-sectors, fundamentals and outlooks are positive and new supply muted. This is particularly true for the healthcare real estate sector. On the other hand, US industrial landlord Prologis was relatively downbeat, citing weak leasing demand and elevated supply. In our view this weakness is likely to continue. We explore this and other charts that caught our eye recently, in this month's [Investment Perspectives](#).

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

- San Francisco office vacancy hits a record high of over 37% according to preliminary 3Q data from CBRE. This follows the departure of X (Twitter) from its headquarters in the city, with employees re-locating to offices in San Jose and Palo Alto
- Blackstone and CPPIB acquires Asia-Pacific data centre operator AirTrunk for \$24billion. Deal metrics were not disclosed; however the deal was rumoured to be struck at a run-rate EBITDA multiple of over 21x
- Amazon announced that it will require its employees to work in the office five days per week beginning January 2025, making it the first major technology company to do so.
- According to data from Cushman & Wakefield, US senior housing occupancy trended upward for the twelfth consecutive quarter, now surpassing 87%. Rent growth averaged 4.5% for the first half of 2024

Top contributors to returns for the month came from positions in Australian Retail and German Apartments. The top detractors for the month were from positions in US Single Family Housing and US Industrial.

Get in touch



bennelongfunds.com

quaygi.com

Eric Finnell, CAIA

Head of Institutional

Bennelong Funds Management
Level 26, 20 Bond Street, Sydney NSW 2000
M +61 436 408 261 | D +61 2 8216 1736
E eric.finnell@bennelongfunds.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

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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