Performance report | 30 September 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]	+3.09%	+16.23%	+15.67%	+36.92%	+20.68%	+3.74%	+6.64%	+9.49%	+8.69%
Benchmark[2]	+3.01%	+16.07 %	+13.24%	+28.86%	+14.43%	+0.39%	+1.39%	+4.06%	+3.40%
Value added	+0.08%	+0.17%	+2.42%	+8.05%	+6.25%	+3.35%	+5.25%	+5.43%	+5.29%

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

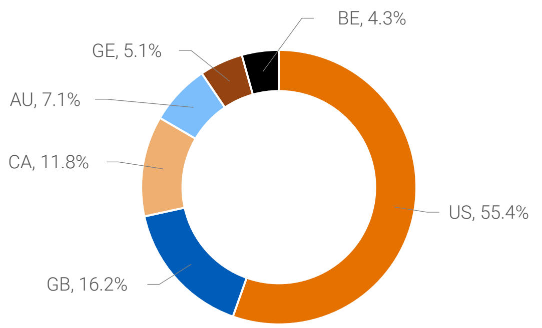
Co-founder, Principal & Portfolio Manager

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.

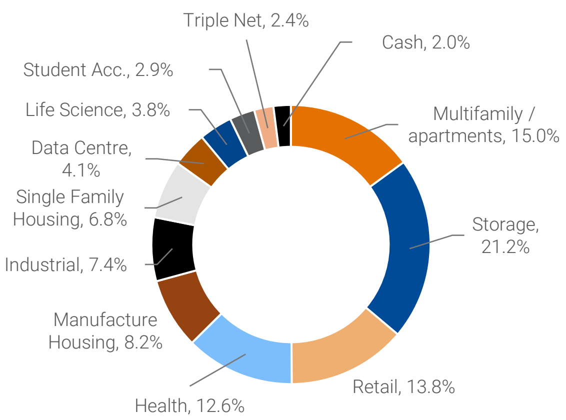
Strategy details

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 returning +3.0% on USD basis. The Strategy returned +3.1% 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 +28.9%. The Strategy has returned +36.9% over this period, outperforming the index by +8.1%.

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.

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

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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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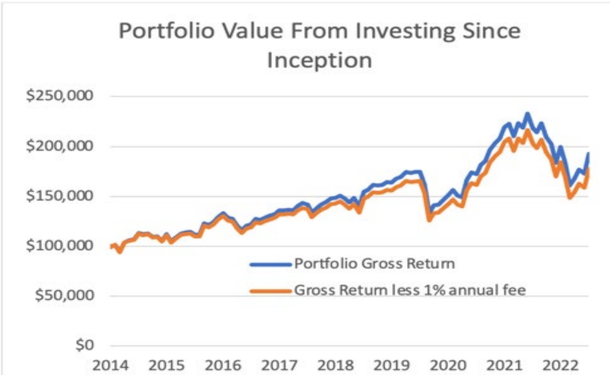

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The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. The fund can be exposed to different 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.