

Quay Global Real Estate Fund (Unhedged)

Monthly performance update

As at 31 January 2022

At a Glance

Feature	Fund facts
APIR Code	BFL0020AU
Investment objective	To generate a real total return of at least 5% above CPI per annum over a 5+ year investment horizon
Portfolio managers	Chris Bedingfield/Justin Blaess
Stock number	26
Fund Size	A\$548m
Inception date	30 July 2014 ¹
Recommended investment period	Long term (5+ years)
Minimum investment	A\$20,000
Additional investment	A\$5,000
NAV ²	1.5651
Buy/sell (%)	0.30/0.25
Entry/exit fees	Nil
Distributions	Bi-annual
Management fee ³	0.82%

Market Commentary

Inflation, interest rates, and rising geopolitical tensions all conspired for a volatile month in risk assets, with technology stocks hit particularly hard in the first half of January. A late month-end rally saw losses for global equities reduced to just -2.3% for AUD investors, albeit assisted by a +2.7% currency gain.

Our reading of the market is investors are (again) over-reacting to central bank policy (which we think has very little medium-term impact on stocks, bonds, or the economy). At the time of writing, most major companies are reporting 4th quarter earnings and providing crucial 2022 guidance. In our view, this will matter more than the posturing of random central bankers.

The Australian market (without the benefit of the currency buffer) posted a sharp -6.3% decline, underperforming global markets even before the currency benefit.

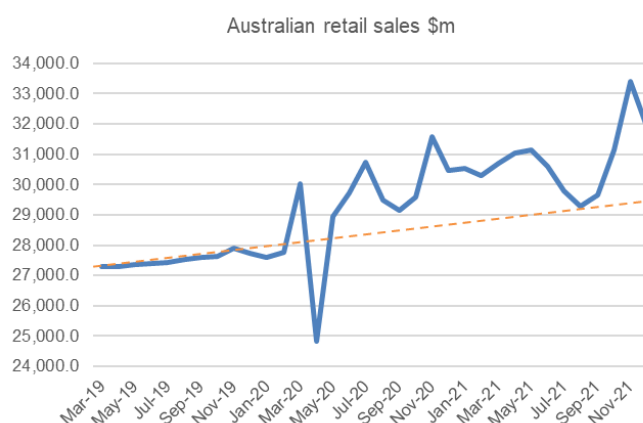
Fund Commentary

The Fund posted a -3.5% total return, and not unlike global equities, a late January rally sharply reduced monthly losses. The 'risk off' environment came with a blessing – namely a +2.6% gain in currency.

The poor return this month offsets December's +3.7%, as real estate investors grapple with two competing forces – the (perceived) negative effects of rising interest rates, and the positive earnings growth / recovery across most real estate sectors.

We think the latter will win-out, and as such we remain near fully invested as we approach the 4th quarter reporting season.

After a solid contribution to 2021 returns, European self-storage was a meaningful drag on January returns. Recent company results and updates were very positive, but it seemed investors expected more. Scentre group was also a major detractor in our performance, as local investors weigh the negative sentiment from Omicron. Recent retail sales data (see below) suggest overall retail sales in Australia remain well above trend, and as such our conviction in the stock is unchanged.



Source: ABS, Quay Global Investors

Healthcare was a winner for the fund in January as Chartwell and Ventas posted solid gains, after announcing very encouraging occupancy gains across their respective portfolios.

Commentary on recent market volatility

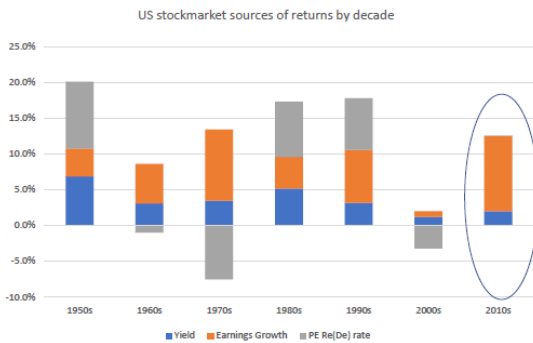
As mentioned earlier in this letter, January witnessed significant volatility across most risk assets, which, at one point, saw our portfolio down approximately -10% (before currency). To the extent investors are concerned about the near-term actions of central banks, we post the following charts as a reminder such concerns do not distract us from our process.

Firstly, a reminder that despite the 2010's being one of the most active periods of central bank intervention (in the US and Europe), total returns comprised entirely of dividend yield and earnings growth.

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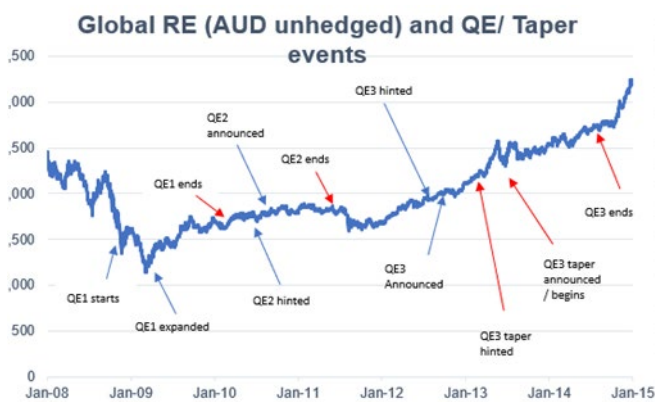


Source: Quay Global Investors

Secondly, it should be remembered that we have been here before. As we wrote in last year's *Investment Perspectives "Don't Fear The Taper"*, listed real estate can perform poorly in the short-term when the central banks pivot to a tightening cycle. However, real estate can perform well medium-term in the face of a hawkish Federal reserve.

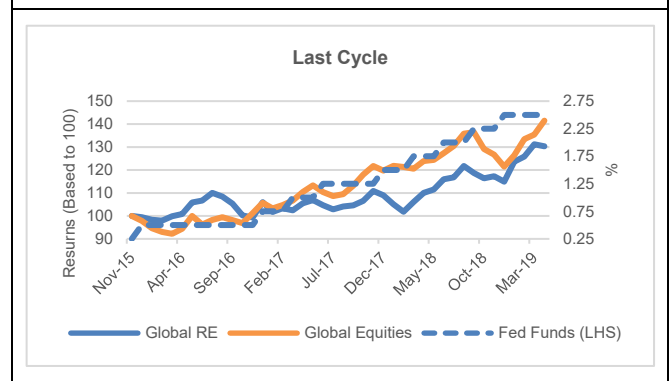
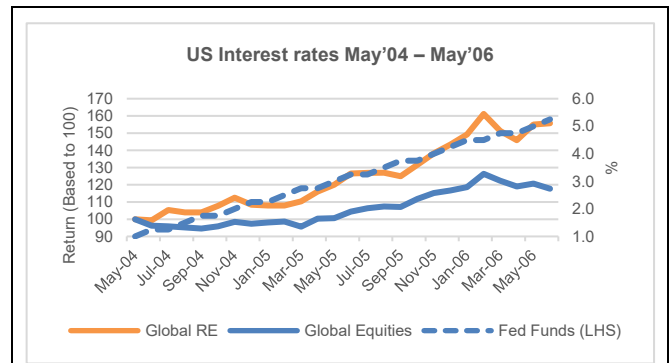
		Week Return	Month return
QE 1 Announced	25-Nov-08	-0.32%	8.03%
QE 1 Expanded	18-Mar-09	-4.19%	10.40%
QE 1 Ends	31-Mar-10	0.99%	1.04%
QE2 "Hinted"	27-Aug-10	2.30%	0.75%
QE 2 Announced	3-Nov-10	-0.64%	-1.68%
QE 2 Ends	30-Jun-11	2.05%	-1.85%
QE 3 "Hinted"	31-Aug-12	1.62%	0.93%
QE 3 Announced	13-Sep-12	-0.49%	0.88%
QE3 Taper "Hinted"	22-May-13	-4.12%	-8.46%
QE 3 Taper "Hinted again"	19-Jun-13	-0.76%	7.46%
QE3 Taper Announced	18-Dec-13	0.11%	3.67%
QE 3 Ends	29-Oct-14	5.45%	7.12%
Event Average		0.17%	2.36%
Event Avg (TAPER ONLY)		-1.59%	0.89%
Average (Dovish)		-0.29%	3.22%
Average (Hawkish)		0.62%	1.50%

Source: Quay Global Investors



Source: Quay Global Investors

Similarly, the last two Federal Reserve tightening cycles didn't impede positive returns.



Source: Quay Global Investors

Consequently, we continue to focus on the long-term investment prospects of our investees, which we believe are well positioned to meet our CPI + 5% total return objective. As such, there were no material changes to the Fund during the period.

Performance

Timeframe	Fund return (net) ¹	Index**	Value add
1 month	-3.5%	-2.7%	-0.7%
3 months	3.7%	4.5%	-0.8%
6 months	3.5%	3.4%	0.1%
1 year	32.3%	30.5%	1.9%
2 years (p.a.)	6.3%	0.9%	5.4%
3 years (p.a.)	11.2%	7.1%	4.1%
5 years (p.a.)	12.3%	8.0%	4.3%
Since inception (p.a.)*	13.2%	9.0%	4.2%

Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax
* Inception date is 30 July 2014¹

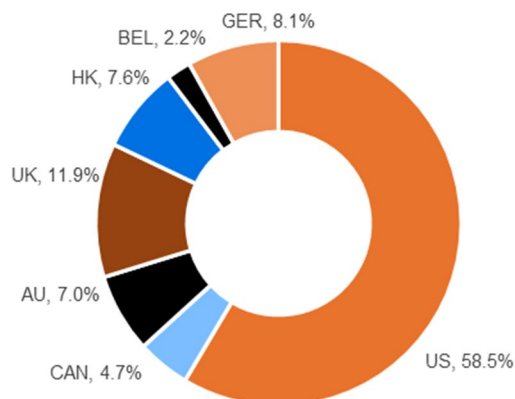
** FTSE/ EPRA NAREIT Developed Index Net TR AUD⁴.

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Geographic Weightings



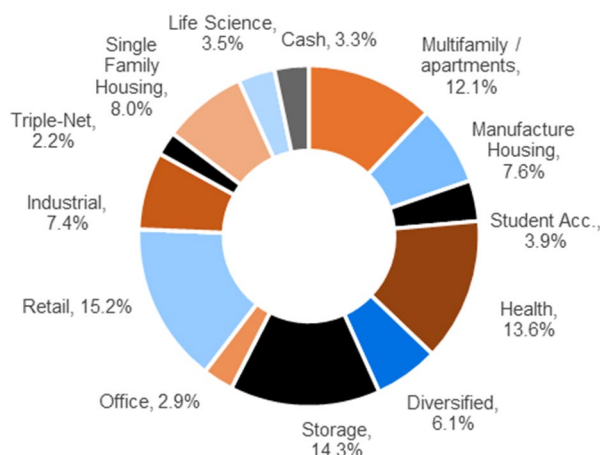
How to invest

The Fund is open to investors directly via the PDS (available on our [website](#)), or the following platforms.

Platforms

AMP (My North, North Summit, iAccess)	Mason Stevens
BT Asgard (Infinity eWrap)	MLC (Navigator, Wrap)
BT (Panorama)	Netwealth (Super Service, Wrap Service, IDPS)
CFS (FirstWrap)	Oasis (Wealthtrac)
Hub24 (Super, IDPS)	Powerwrap (IDPS)
IOOF (Pursuit Select, Pursuit Select (PIS), Employer Super. eXpand, Lifetrack, Grow, IPS, IDPS, Super)	Praemium (Non Super, Super)
Macquarie Wrap (IDPS, Super)	Wealthtrac

Sector Weightings



Contact details

For more information, please call 1800 895 388 (AU) or 0800 442 304 (NZ) or visit quaygi.com

¹ The Quay Global Real Estate Fund (Unhedged) was launched on 30 July 2014 by another trustee, and the above performance data relates to this strategy. Bennelong assumed responsibility as replacement trustee on 31 January 2016 – for performance history relating to this date, please contact Client Experience on 1800 895 388 (AU) or 0800 442 304 (NZ) or client.experience@bennelongfunds.com.

¹ Adjusted for expected withholding taxes.

¹ The management fee does not include fund expenses, which are capped at 0.10% per annum on net asset value, or the performance fee. Any performance fee payable is 15.375% of the excess return over the greater of CPI and the FTSE/EPRA NAREIT Developed Index (net) Total Return (AUD). All fees quoted include GST net of reduced input tax credits. For more information, refer to the Product Disclosure Statement (PDS) dated 1 February 2017 (ARSN 610 224 381).

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The Fund is managed by Quay Global Investors, a Bennelong Funds Management boutique.

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