

Performance report | 31 July 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, and distributed in the UK/Europe and US by BennBridge. Bennelong and BennBridge are 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	+5.07%	+10.48%	+7.38%	+11.42%	+3.16%	-1.07%	+5.21%	+7.88%	+7.75%
Benchmark ²	+6.03%	+10.03%	+6.38%	+6.83%	-1.01%	-4.09%	+0.41%	+2.61%	+2.53%
Value added	-0.97%	+0.45%	+1.00%	+4.59%	+4.17%	+3.02%	+4.80%	+5.27%	+5.23%

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

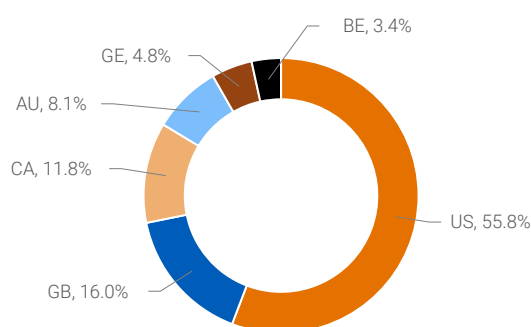
Co-founder, Principal & Portfolio Manager

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.

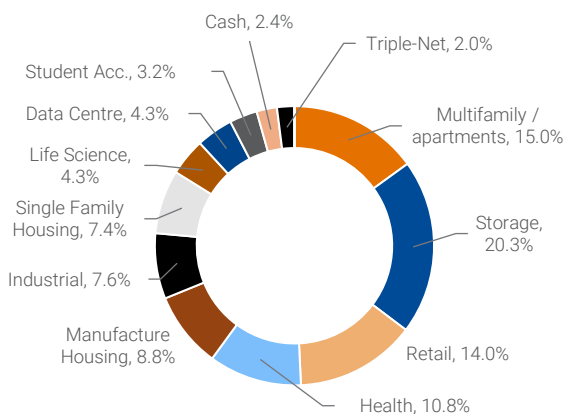
Strategy details

Feature	Information
Strategy	Global listed real estate
Index	FTSE/NAREIT Developed TR USD Index
Strategy AUM	\$459.1 million
Group AUM	\$8.0 billion
Investment vehicles	Separately Managed Accounts; AUD Unit Trust

Geographic weighting



Sector weighting

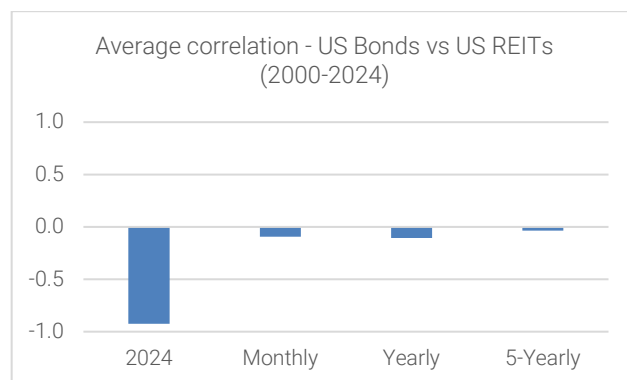


Commentary

Global real estate had a strong month, with the index returning +6.0% on a USD basis. The Strategy returned net +5.1% in July.

The sector likely benefited from the renewed expectations of multiple interest rate cuts in the US in 2024. US inflation data released during the month was below forecast and the unemployment rate rose again unexpectedly. Despite holding rates steady at their July meeting, the US Fed cited they are seeing 'further progress' towards its inflation goal and are watching the labour market 'really carefully'. Fed Chairman Powell also indicated that a rate cut in September 'is on the table.'

This month's returns highlight just how sensitive the listed real estate sector has been in the past few years to fluctuations in interest rate expectations. The chart below shows that there is a negative correlation of -0.9 between changes in US REIT prices and US bond yields in 2024. Importantly, it also shows that in the longer term, there is no correlation – because REIT prices are driven by underlying real estate fundamentals.



Source: Bloomberg, Quay Global Investors

With the US Fed on the verge of rate cuts, and central banks in the UK, Europe and Canada having already cut, investors may be thinking about their allocation to the REIT sector. In this month's [Investment Perspectives](#) we discuss the timing of allocations and highlighting why in our view there may be some good days ahead for listed real estate.

Reporting season for second quarter results commenced this month. A highlight so far has been US strip centre retail REIT Brixmor, who reported record leased occupancy for the third consecutive quarter, now sitting 300bps above 4Q19 levels. Spreads on new and renewal leases were +28%, a new record high.

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

- Unite Group (UK Student Accommodation) raises circa GBP450m via an equity offering to fund acquisition and development opportunities. The offer price was at a 2.6% discount to the last close, implying the equity was issued at a low-5% EPRA net initial yield. Investment opportunities for Unite on average are at circa 7% net yield.
- Reuters reported that Blackstone is in early negotiations to acquire ROIC, a US\$3.2bn enterprise value US strip centre retail REIT. No details on pricing were revealed, however ROIC's share price rose +21% on the day of trading, and US strip centre REITs rose 4% on average.
- Reuters reported that Equinix (US Data Centre) is looking to sell a minority stake in its Hong Kong facilities, which could be valued at US\$2billion. This follows reports by Bloomberg earlier in the year that Vantage Data Centers are looking to sell its Hong Kong data centres portfolio.

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.
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- 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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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.

