

Bennelong's Investment Forum

Intelligent ideas for innovative minds



Thinking outside the box

The inaugural Bennelong Investment Forum, held over three days in May, attracted well over 200 attendees across Melbourne, Sydney and Brisbane.

The forum, designed to bring “innovative ideas to intelligent minds”, saw Bennelong’s boutique fund managers deliver insights into: the opportunities presented by the global property market; the \$3 trillion opportunity that infrastructure investment offers across all market cycles; and views on the Australian share market including the rotation in the market.

Craig Bingham, CEO of Bennelong, said the forum provided the opportunity for investors who like to think outside the box to gain valuable insights into new strategies. “It was a wonderful opportunity to spotlight the expertise of some of our newer teams - Quay Global Investors and 4D Infrastructure, who each provide investors with access to markets they might not traditionally have considered, but which offer outstanding opportunities for strong long-term returns.

“It also brought together three of our well-established Australian equities teams, who have built their reputation on innovation and adaptability in the Australian equities space, in an enlightening panel discussion. “Bennelong is very pleased to be able to offer such innovative investment options for advisers and their clients,” Craig said.

The following articles provide a snapshot of the forum's presentations. Advisers who would like more information or a copy of the event's presentations, please contact Adviser Services on 1800 895 388.

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QUAY GLOBAL REAL ESTATE

Technology, 'echo boomers' and aging population set to boost global property returns

Global real estate is one of nine major asset classes. However, many may not know it has ranked in the top five asset classes for 13 of the past 17 years, and should play a larger role in Australian investors' portfolios, says Chris Bedingfield, Principal and Portfolio Manager with Quay Global Investors.

"Unhedged global real estate has been one the best performing asset classes since the turn of the century, delivering around eight per cent compound total returns.

"Over that same period, we have seen two US recessions, a European debt crisis and a 10 per cent appreciation in the Australian dollar relative to the US dollar, detracting from these returns – and yet it has still put in top returns."

Importantly, the sector also offers good diversification for Australian equity investors – having roughly the same correlation as global equities.

"Although Australians have a well documented love affair with local residential property, they could be achieving better, sustainable, long-term returns by looking globally."

"Unhedged global real estate has been one the best performing asset class since the turn of the century."

While there is a consensus interest rates are set to move into a tightening cycle, Chris says global property is not as sensitive to interest rate moves as many people believe.

"While interest rates do affect the performance of global REITS over the short term, over the longer term the impact is negligible.

"During the last interest rate tightening cycles in the US and in Australia, global real estate did not underperform; in fact during this period global REITS were a particularly strong performer, in part thanks to a strong performance from the US."

He says factors that will drive long-term real estate performance are secular trends... **Continue reading >>**

Infrastructure a \$3 trillion opportunity for all market cycles

The combination of defensive attributes, huge investment needs, and the diverse nature of available infrastructure assets, makes infrastructure investments an attractive allocation in both rising and falling markets, says Sarah Shaw, Chief Investment Officer at 4D Infrastructure.

“There is a huge global need for infrastructure, which is being driven by three major economic and demographic tailwinds. They are: decades of under investment in infrastructure in virtually every nation; the growing middle class (especially in emerging markets); and tremendous population growth globally.

“Infrastructure provides the basic services that are essential for communities to function and for economies to prosper and grow. It includes essential services such as power and water, as well as ‘user pays’ assets such as toll roads and airports. As such, it offers investors a number of attractive attributes for their portfolios, across all market cycles.

“In falling markets, infrastructure provides a safe haven for investors who can tilt their portfolio towards safe markets and regulated utilities. In this environment, infrastructure provides investors with a defensive asset class with stable, with generally more predictable and resilient earnings, as well as a low correlation to general equities.

“Forecasts suggest that globally, between US\$60-70 trillion will need to be spent on infrastructure over the next 15 years.”

“In rising markets, ‘user pays’ assets come into their own. Such assets are usually correlated to GDP growth and are protected from rising interest rates, giving investors an inflation hedge.

“Recent history has shown that as bond yields increase, infrastructure underperforms the broader market at first but then quickly recovers. ‘User pays’ assets tend to outperform both regulated utilities and the broader market, as they are geared towards growth and macro recovery. “Similarly, as bond yields start declining, investors look for defensive havens and infrastructure assets outperform.

Regulated assets gain favour as investors move to protected earnings. “We have seen this happen over the last market cycle, where infrastructure outperformed the broader market both as the Federal Reserve cut the cash rate and also when it was raised.” Sarah added that the global... [Continue reading >>](#)

4D INFRASTRUCTURE



The great rotation

The Australian share market is at the tail-end of a significant rotation that has seen value stocks and fundamentals come to the fore, according to the Bennelong boutique fund managers who focus on Australian equities.

At last week's Bennelong Investment Forum, experts from Bennelong Australian Equity Partners (BAEP), Kardinia Capital and Avoca Investment Management (Avoca) took part in a panel discussion that canvassed their views on the current market as well as areas such as IPOs, M&A, and shareholder activism.

Mark Burgess of Kardinia Capital, said the market has recently experienced one of the most dramatic rotations in the past three decades.

"We did an analysis of the last 30 years and only the market rotations in 1987, and following the GFC, were more dramatic than the one that has just played out... **Continue reading >>**



KARDINIA, AVOCA & BAEP

"Australia is vastly underestimating the impact that the entry of Amazon into the retail market will have"
- John Campbell

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