

# ASIC Benchmarks and Disclosure Principles for the Dexus Core Property Fund

7 August 2023

## Important Information

The Trust Company (RE Services) Limited (the **Responsible Entity**) (ABN 45 003 278 831 and AFSL 235150 ) is the responsible entity of the Dexus Core Property Fund (ARSN 114 235 326) (**Fund**) and issuer of this document. The Responsible Entity is a wholly owned subsidiary of Perpetual Limited (ASX:PPT) (ACN 000 431 827).

Dexus Funds Management Limited (Dexus) (ABN 24 060 920 783 and AFSL 238163) is the manager of the Fund and has been appointed by the Responsible Entity to provide investment management and associated services in respect of the Fund.

Unless otherwise specified, all dollar amounts in this document are Australian dollars.

This document should be read in conjunction with a current Product Disclosure Statement (PDS) for the Dexus Core Property Fund.

Dexus (ASX: DXS) is one of Australia's leading fully integrated real asset groups, managing a high-quality Australasian real estate and infrastructure portfolio valued at \$62.3 billion (pro forma post final completion of the AMP Capital acquisition).

With a 35+ year proven track record, our performance-driven team of property and infrastructure specialists is supported by a full-service, in-house team including Asset Management, Property Management and Development, Capital Transactions, Leasing, Research and Valuations.

This active asset management approach combined with our breadth and scale supports the Fund's investment team in delivering quality investment outcomes.

## Further information

For further information about the Fund's investments, including how it invests in property and the types of property it invests in, see the 'Our investment approach' and 'Fund profile' sections of the PDS. Key features and risks of the Fund are located in the 'About the Dexus Core Property Fund' and 'Risks of investing' sections of the PDS.

## About this document

The Australian Securities and Investments Commission (ASIC) has released benchmarks and disclosure principles to assist investors in comparing risks and returns across investments in the unlisted property sector.

The benchmarks and disclosure principles for the Fund are listed within this document, and should be read in conjunction with the current PDS for the Fund.

The 'ASIC benchmarks and disclosure principles for the Dexus Core Property Fund' document (this document) will be updated regularly, or where material changes are identified.

A copy of the latest 'ASIC benchmarks and disclosure principles for the Dexus Core Property Fund' and a current PDS for the Fund are available online at [www.dexus.com/dcpfinvest](http://www.dexus.com/dcpfinvest), or can be obtained free of charge, on request.

## Benchmarks

### Benchmark 1 - Gearing Policy

**Benchmark** The responsible entity of the Fund maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

The Responsible Entity and Dexus comply with Benchmark 1.

Gearing involves entering into a loan facility which may or may not be secured against the Fund's assets, enabling a property fund to acquire assets or meet short term liquidity needs.

Gearing has the effect of magnifying the Fund's returns, both positive and negative, which means that the risk of loss of capital may be greater than if gearing did not take place. Other risks associated with gearing include refinancing risk (the ability to repay the debt when it falls due) and interest rate rises.

Gearing responsibility within the Fund has been outsourced by the Responsible Entity to Dexus. Dexus manages gearing within the Fund according to the Debt Authorisation Framework that applies to the Fund.

The Debt Authorisation Framework outlines the process for review and authorisation of debt in relation to certain funds managed or controlled by Dexus including the Fund.

Gearing within the Fund is:

- managed in accordance with the Debt Authorisation Framework.
- restricted to a maximum of 30% of the Fund's gross asset value at the time of borrowing, and
- monitored on at least a quarterly basis.

As at 31 March 2023, Dexus complied with the Debt Authorisation Framework in relation to the Fund.

For information on the Fund's gearing ratio, see 'Disclosure principle 1 - Gearing ratio' in this document.

### Benchmark 2 - Interest Cover Policy

**Benchmark** The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

The Responsible Entity and Dexus comply with Benchmark 2.

Interest cover measures an unlisted property trust's ability to meet interest payments on any loan facilities from its earnings, which provides an indication of the trust's financial health.

The management of the Fund's loan facility used by the Fund has been outsourced by the Responsible Entity to Dexus. Dexus manages the Fund's loan facility in accordance with the Debt Authorisation Framework that applies to the Fund.

Under the Debt Authorisation Framework, the Fund is required to meet a number of key risk evaluation metrics in relation to the sizing and structure of the Fund's loan facility. These metrics include:

- maintaining greater than 10% headroom in financial covenants
- interest cover ratio covenants to be passed at default interest rates
- debt and interest costs to be fully supported by income producing assets, and
- debt can be repaid on or before maturity by sources other than refinance or illiquid assets.

As at 31 March 2023, Dexus complied with the Debt Authorisation Framework in relation to the Fund.

For further information on the Fund's interest cover ratio, see 'Disclosure principle 2 - Interest cover ratio' in this document.

## Benchmark 3 - Interest Capitalisation

**Benchmark** The interest expense of the Fund is not capitalised.

The Responsible Entity and Dexus comply with Benchmark 3.

As at 30 June 2023, the Fund has \$20.0 million of drawn debt against its facility of \$20 million. Interest on this facility is not capitalised, interest obligations under the loan facility are able to be met out of the assets of the Fund.

Interest capitalisation occurs when accrued or accumulated interest is added to the loan principal instead of being paid on a regular basis. It generally applies where a fund's assets are being developed, as during development, assets may not generate any income to meet interest payment obligations under loan facilities.

The Fund's interest expense policy is to pay interest as it falls due and not to capitalise it. As at 30 June 2023, interest obligations under the loan facility are able to be met out of the assets of the Fund.

## Benchmark 4 - Valuation Policy

**Benchmark** The responsible entity maintains and complies with a written valuation policy in relation to direct property investments that requires:

- a valuer to:
  - be registered/licensed in the relevant state, territory or overseas jurisdiction where the property is located (where a registration or licensing regime exists) or otherwise be a member of an appropriate professional body, and
  - be independent
- procedures to be followed for dealing with conflicts of interest
- rotation and diversity of valuers
- valuations to be obtained in accordance with a set timetable
- for each property, an independent valuation to be obtained:
  - before the property is purchased:
    - for a development property, on an 'as is' and 'as if complete' basis, and
    - for all other property, on an 'as is' basis, and
  - within 2 months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

The Fund does not hold direct property investments. However, the Fund invests in underlying funds that do hold direct property investments. The Fund's assets are valued in accordance with the Valuation Policy - Dexus Core Property Fund and the Fund's unit price is generally based on the valuation of the properties within the underlying funds. However, a valuation adjustment can be applied by the Fund where the value of the units in the underlying funds is thought to be an unreliable representation of market value. In these circumstances Dexus may value the units in the underlying funds at a different price to that quoted by the underlying funds.

Properties held in Dexus Wholesale Shopping Centre Fund<sup>1</sup> that is managed by Dexus are valued according to the Real Estate Valuation Guidelines - Dexus Wholesale Shopping Centre Fund and the Dexus Valuation Standard - Retail. These Guidelines and Standards set out the methodologies used by Dexus and its appointed agents to value direct property assets of the Dexus Wholesale Shopping Centre Fund. Under these Guidelines, properties are valued:

- by a licensed valuer, authorised under the Law of the State or Territory, or overseas jurisdiction, where the property is located (where licensing laws exist)
- by an external independent valuer with at least five years' appropriate experience, selected from an approved Valuers Panel
- by valuers that have no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the value, or that could conflict with a proper valuation of the property
- accept instructions to value the property only from the Responsible Entity/Trustee (where applicable), Dexus's Valuation Manager, Fund Manager or Investment Manager
- by valuers who are rotated every two years to allow for exposure to a variety of valuers over time and reduce reliance on any one valuer (note for properties under development a valuer can be appointed for a period of up to four years with the approval of the Investment Committee)
- at least every 12 months, and
- additional valuations may be undertaken between the valuation periods to take into account any abnormal or major events that may affect the valuation significantly.

All valuations are measured in accordance with Australian Accounting Standard AASB 140 Investment Property.

A copy of the Real Estate Valuation Guidelines - Dexus Wholesale Shopping Centre Fund and the Dexus Valuation Standard - Retail can be obtained free of charge, by contacting Dexus.

Properties held in underlying funds that are not managed or controlled by Dexus are valued in accordance with the valuation policy of the underlying fund.

For the underlying funds in which the Fund invests, Dexus completes due diligence prior to investing in these funds, including due diligence on properties held by those funds, valuation analysis and assessment of the likelihood of a material change in the value of those properties.

<sup>1</sup> Dexus Funds Management Limited as responsible entity of Dexus Property Trust and Dexus Operations Trust (**Dexus**) recently acquired AMP Capital Funds Management Limited who acts as responsible entity of the AMP Capital Shopping Centre Fund. Following the acquisition, Dexus intends to change the legal name of the Fund to Dexus Wholesale Shopping Centre Fund, the name of each stapled trust to Dexus Wholesale Shopping Centre Fund I and Dexus Wholesale Shopping Centre Fund II (respectively) and the name of the Responsible Entity to Dexus Capital Funds Management Limited. Dexus has registered the proposed name of the Fund and Responsible Entity with the Australian Securities and Investments Commission. Subject to regulatory filings and approvals, the change of name is expected to be completed in 2023. AMP Capital Investors Limited (**Investment Manager**) remains the investment manager of the Fund. Dexus has also recently entered into a conditional agreement to acquire the Investment Manager, however it is unclear when the agreement to acquire the Investment Manager will become unconditional.

## Benchmark 5 - Related party transactions

**Benchmark** The Responsible Entity maintains and complies with written policies on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

The Responsible Entity and Dexus comply with Benchmark 5.

Related party transactions undertaken by the Responsible Entity are conducted in accordance with policies approved by the Responsible Entity. Related party transactions undertaken by Dexus are conducted in accordance with the Dexus Conflicts Management Policy and Related Party Transactions Policy. The Responsible Entity and Dexus are not related parties.

A related party transaction is a transaction involving parties that have a close relationship with either the Responsible Entity or Dexus, for example where a fund managed or controlled by Dexus invests in other funds where Dexus is the responsible entity, trustee or investment manager; or where a fund invests in assets where other Dexus entities may have an interest, or where assets are transferred between different Dexus funds. For additional information on related party funds in which the Fund invests, see the 'Fund profile' section of the PDS.

As at 31 March 2023, the Responsible Entity complies with policies approved by the Responsible Entity. Dexus complies with the Dexus Conflicts of Interest Policy and Related Party Transactions Policy.

For further information on related party transactions, including a summary of key elements of the relevant policies, see 'Disclosure principle 5 - Related party transactions' in this document.

## Benchmark 6 - Distributions

**Benchmark** The Fund will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

The Fund does not comply with Benchmark 6.

While the Fund aims to pay distributions from its cash from operations (excluding borrowings), it is entitled to make distributions from other sources.

For further information on distributions, see 'Disclosure principle 6 - Distribution practices' in this document.

## Disclosure Principles

### Disclosure Principle 1 - Gearing ratio

Gearing ratios provide an indication of the extent to which an unlisted property trust is funded by debts (liabilities). The gearing ratio for a fund is calculated by dividing the total interest-bearing liabilities by the total assets of the Fund.

Gearing ratios can affect a fund's level of risk. Generally, a higher gearing ratio indicates a higher reliance on borrowings to fund investments, for example for capital management, and this can expose a fund to increased costs in times of financial stress or if interest rates rise.

As at 31 March 2023, the gearing ratio for the Fund (based on the interest bearing liabilities and assets of the Fund in its unaudited latest financial statements) was 0%. Since that date the Fund has drawn debt and as at 30 June 2023, the gearing ratio for the Fund (based on the interest bearing liabilities and assets of the Fund in its unaudited financial statements) is 7.1%.

On a 'look through' basis, which is looking through to the underlying funds in which the Fund invests, and taking into account the interest-bearing liabilities and assets of those underlying funds, the Fund has a gearing ratio of 16.9% as at 31 March 2023. These figures are based on unaudited financial statements of the underlying funds. We are unable to calculate the 'look through' gearing of the Fund as at 30 June 2023 as we do not have details of the interest bearing liabilities and assets of the underlying funds as at that date.

### Disclosure principle 2 - Interest cover ratio

Interest cover measures an unlisted property trust's ability to meet interest payments from its earnings, which provides an indication of the trust's financial health. The lower the interest cover ratio for a trust, the higher the risk that the trust will not be able to meet its interest expenses on its loan facilities.

The interest cover ratio for a fund is calculated by dividing the fund's earnings by the interest expenses of the fund.

As at 31 March 2023, the Fund's interest cover ratio is 40.0.

Interest relating to the underlying funds in which the Dexu Core Property Fund invests is serviced by the underlying funds and not by the Fund.

### Disclosure principle 3 - Fund borrowing

The Fund may borrow to acquire assets or meet its short-term liquidity needs, including to fund redemptions.

The Fund's debt facility was refinanced as at 21 October 2022 and a new 3-year \$20 million cash advance facility maturing on 20 October 2025 has been put in place. The facility provides short term acquisitions funding and capital management to the Fund.

As at 30 June 2023, there is \$20.0 million of drawn debt under the cash advance facility. You should be aware that amounts owing to the lender, or other creditors, under this facility rank before the rights of investors in the Fund.

The cash advance facility of the Fund has various financial covenants which must be complied with. Key features for the cash advance facility are:

- unsecured
- the interest cover ratio for the Fund is required to be two times greater than the Fund's interest expenses

- interest expense is a combination of the base interest rate, loan margin and line fee
- maintain gearing not greater than 30% of the Fund's total assets of each quarter, and
- maintain at least \$40 million in listed real estate assets.

As at 30 June 2023, the Fund complies with all its applicable covenants. Provided the Fund complies with its terms, there are no rights for the bank to suspend or cancel this facility.

Where the Fund borrows, this may affect the Fund's returns and the value of your investment in the Fund. Risks associated with borrowing include:

- repaying part, or all, of the Fund's fixed interest rate borrowings (if any) ahead of maturity, which could result in the settlement amount of the repayment being higher or lower than the carrying value of the borrowings
- exposure to interest rate increases which may affect the cost of the Fund's borrowings, and
- inability to repay as a result of the Fund becoming illiquid.

### Underlying funds in which the Fund invests

For the underlying funds in which the Fund invests, borrowing details as at 31 March 2023 are set out below. The borrowings of the underlying funds in which the Fund invests are serviced by those underlying funds and not by the Fund.

In the event of a default by an underlying fund in which the Fund invests, the relevant fund lender has no recourse to the Fund.

However, you should be aware that amounts owing to lenders and other creditors of the underlying funds rank before the Fund's interests in the underlying funds and investor's interests in the Fund.

#### Dexu Wholesale Shopping Centre Fund

- Gross asset value - \$3.60 billion (as at 31 March 2023).
- \$834.2 million in debt drawn under a committed debt facility of \$1.425 billion.
- As at 31 March 2023, the fund complies with all undertakings and financial covenants relating to their debt facilities.
- The fund has interest rate hedging in place with a hedge ratio of 39.6% and weighted average term to maturity of 2.5 years, which is compliant with its Financial Risk Management Policy.

#### Mirvac Wholesale Office Fund

- Gross asset value - \$7.79 billion (as at 31 March 2023).
- Total debt facilities - \$2.09 billion facility of which \$1.73 billion is drawn.
- Overall debt weighted average term to maturity is 3.3 years.
- As at 31 March 2023, the fund complies with all undertakings and financial covenants relating to their debt facilities.
- The fund has interest rate hedging in place with a hedging ratio of 41.0%, and weighted average term to maturity of the hedges is 2.7 years.

#### AMP Capital Hedged US Plus Property Fund

AMP Capital Funds Management Limited, the responsible entity of the AMP Capital Hedged US Plus Property Fund, made the decision to terminate the fund in March 2019 and has divested the five US direct real property assets in the fund, distributing the proceeds to unitholders, including the Dexu Core Property Fund.



This fund no longer holds any US direct real property assets and the remaining investment in this fund is a small cash holding. The wind up of this underlying fund is expected to be completed in the September 2023 quarter.

## Disclosure Principle 4 - Portfolio diversification

Currently, the Fund does not invest directly into property, however underlying funds in which the Fund invests hold property directly. At times, the Fund may invest directly into property. As at 31 March 2023 the Fund currently holds 1.0% in cash, and may hold up to 10% in cash.

The Fund's preference is to gain exposure to direct property via underlying unlisted funds. Future investments in direct property will preferably be of a similar size, type and risk profile to those properties held within the underlying unlisted funds in which the Fund currently invests. For further information on the Fund's investment strategy and how Dexu invests in other unlisted funds, see the 'Our investment approach' and 'Fund profile' sections in the PDS. As at 31 March 2023, investments held in the underlying funds conform to the Fund's investment strategy.

## Disclosure Principle 5 - Related party transactions

### The Trust Company (RE Services Limited)

The Trust Company (RE Services) Limited receives a fee for acting in its capacity as responsible entity of the Fund. The Responsible Entity has not entered into any other related party transactions on behalf of the Fund nor has it engaged any related party agents.

The Responsible Entity has developed a number of policies to assess related party transactions before they are entered into as well as safeguards to ensure that these policies are adhered to at all times. A copy of the relevant policies are available on request.

These documents require the Responsible Entity:

- to act fairly, honestly and in good faith towards its clients
- where a potential conflict of interest exists, ensure that the transaction is dealt with on an arms' length basis
- to make appropriate disclosures to customers affected by a conflict of interest, where a view is formed that the conflict of interest need not or cannot be avoided
- to disclose all related party transactions in the trust's annual financial statements
- to complete a risk assessment by the relevant compliance services partner for any potential related party transaction, and
- to report any suspected breaches of these policies.

The Responsible Entity has a Compliance Committee established to assess and provide recommendations to the Responsible Entity Board. The Compliance Committee is currently comprised of three members with a majority of independent non-executive members.

The Compliance Committee is responsible for monitoring and reporting on the Responsible Entity's compliance with the Fund's Compliance Plan. The Fund's Compliance Plan governs the operations of the Fund including compliance management and reporting. The Compliance Committee may recommend to the Responsible Entity Board that a transaction may not proceed.

Details of any related party transactions are reported in the annual financial and directors' statements and reports provided to the Fund's investors.

The Responsible Entity is not a related party of Dexu.

The Fund has investments in other funds where Dexu is also the investment manager. The management fees charged by these underlying funds are rebated back to the Fund.

### Dexu

Where Dexu enters into transactions with related parties, it operates in accordance with related party protocols and policies and standards that require Dexu to transact on terms that would be reasonable if the parties were dealing at arm's length. The Dexu Conflicts of Interest Policy and the Related Party Transactions Policy provides that where related party transactions exist, Dexu must ensure legislative requirements are met and investors' interests are protected. The policy and standards is reviewed on a regular basis and may change from time to time.

The objective of the policy and standards is to assist in the identification of potential or actual conflicts of interests (including in the context of related party transactions), to assess whether any particular conflict of interest is manageable or may be avoided, to adequately monitor, manage and respond to conflicts of interest, and to ensure adequate disclosure of conflicts of interests are made to clients and other relevant persons.

For further information on related party transactions, please contact Dexu.

## Disclosure Principle 6 - Distribution practices

Currently, distributions are sourced from realised income earned by the Fund. It is expected that distributions over the next 12 months will continue to be sourced from realised income earned by the Fund.

You should be aware that although the Fund's objective is to pay distributions every quarter, the amount of each distribution may vary or no distribution may be paid in a quarter.

## Disclosure Principle 7 - Withdrawal arrangements

Withdrawal requests are generally processed monthly according to specified withdrawal dates. Where the amount of funds available for meeting withdrawal requests is not sufficient to fully meet all withdrawal requests relating to a specified withdrawal date, withdrawal amounts will be reduced on a pro-rata basis. The unmet portion of any withdrawal request will be cancelled.

We aim to process the payment of withdrawal requests within 10 Business Days of each specified withdrawal date, however we may take up to 12 months or longer, as is allowed under the Fund's constitution to pay requests. Additionally, our ability to process withdrawals depends on the Fund continuing to be considered liquid under the Corporations Act. A change to the Fund's liquidity status, including changes to how a fund's liquidity is determined under the Corporations Act, could impact our ability to process withdrawals monthly. The unit price used to calculate your withdrawal value will generally be the price prevailing on the Business Day prior to the day we process the payment of your withdrawal (or part withdrawal), not the day you notify us of your intention to withdraw. A Business Day for us is any day other than a Saturday, Sunday or a bank or public holiday in Sydney, NSW.

See the 'Accessing your money' section of the PDS for further information.

## Disclosure Principle 8 - Net tangible assets

This disclosure principle has not been addressed because it is only relevant to closed end schemes and the Fund is not a closed end scheme.

# Contacting Dexus

For information about investing with Dexus, please contact us.

## **Registered office**

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