

# Dexus Asian REIT Fund

## Quarterly Report

31 March 2024

### Investment Objective

The primary investment return objectives of the Fund are to:

- Provide investors with a consistent and relatively high level of income compared to the GPR APREA Composite REIT Asia Index (in AUD) (GPR), combined with some capital growth, derived predominantly from investing in Asian REITs
- Deliver a gross annual income yield (before management fees, expenses and taxes) that equates to at least 110% of the average yield of the GPR APREA Composite REIT Asia Index (in AUD) (GPR)
- Provide some capital growth over a 5-7 year time horizon
- Provide lower than market volatility<sup>1</sup>

### Benefits

- Focus on generating sustainable, regular and relatively high income returns through investing in listed property securities
- Access to an underlying diversified portfolio of thousands of quality commercial real estate assets predominantly located in Asia Pacific
- Has paid monthly distributions<sup>2</sup>
- Actively managed (non-index aware) portfolio, applying a highly disciplined and proven strategy designed to deliver on the Fund's income and risk objectives
- Liquid – daily applications and withdrawals (under normal market conditions but withdrawals can take longer in certain cases as set out in the PDS)

Fund Facts	
Fund type	Property securities fund
Commencement date	19 July 2011
Fund size	\$27.25m as at 31 March 2024
Minimum suggested investment timeframe	5-7 years
Minimum investment amount	\$1000
Minimum additional amount	\$500 (\$100 per month with regular savings plan)
Income distribution	Monthly generally payable within 10 business days <sup>2</sup>
Unit pricing	Daily
Management fees and costs	0.98% pa of NAV (see section 6 of the PDS for details)
Buy/sell spread	0.15% buy and 0.15% sell

## Performance – Dexus Asian REIT Fund

	1 year %	3 years % (pa)	5 years % (pa)	10 years % (pa)	Since inception % (pa)
Income <sup>3</sup>	6.30	6.09	5.84	6.44	5.89
<b>Total return (after fees)<sup>4</sup></b>	<b>(9.52)</b>	<b>(2.95)</b>	<b>(1.31)</b>	<b>6.28</b>	<b>7.81</b>

1. The Dexus Asian REIT Fund aims to provide lower than market volatility compared with the GPR APREA Composite REIT Asia Index (in AUD) (GPR), over a 5-7 year time horizon.
2. Past performance is not an indicator of future performance.
3. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not an indication of future performance. Assumes distributions are reinvested.
4. Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Returns and values may rise and fall from one period to another. Past performance is not an indicator of future performance. Fund's inception date used to determine return: 19 July 2011

## Fund Commentary

To the end of 31 March 2024, the Dexus Asian REIT Fund offers a relatively high 7.88%<sup>6</sup> annualised distribution yield vs. the Asian REIT index yield of 5.62% p.a.

The Dexus Asian REIT Fund (the Fund) returned -4.33%<sup>5</sup> over the first quarter of 2024, underperforming the Asian REIT Index (the Index) by 87bps<sup>5</sup>. Over the rolling one year, the Fund returned -9.52%<sup>5</sup>, primarily driven by interest rate hikes in most Asian economies and weaker-than-expected economic recovery in China after lifting its COVID restrictions in early 2023. During the same period, the Index returned -6.49%, outperforming the Fund by 303bps<sup>5</sup>.

The Fund's lower than index allocation to Japanese REITs was the major factor driving to its underperformance over the March quarter. Contributors to Fund performance were mostly hospitality and retail related REITs thanks to the booming tourism within the region especially during the Lunar New Year holiday period. Among all Japan Hotel REIT, which has benefitted from the influx of overseas travellers supporting strong earnings growth and United Urban Investment, which announced better-than-expected rental income growth, also made a significant contribution. Other contributors were LaSalle Logiport, CapitaLand Integrated Commercial Trust and Starts Proceed Investment.

Detractors to the Fund performance were Fortune REIT that saw negative rental reversion due to the pessimistic retail outlook in Hong Kong. Other detractors were Japan Metropolitan Fund, which couldn't maintain its previous rental growth, as well as CapitaLand Ascendas REIT, which suffered due to poor performance of an asset in Milan. Our zero weight in another strongly performing Japanese hotel REIT, Invincible Investment, was another key detractor during the March quarter.

As the Federal Reserve made it clear that there's no rush to cut rates, most REITs will expect to suffer from elevated finance cost for a longer period. However, the Asian REIT market will continue to benefit from the stability offered by Japanese REITs that is supported by the dovish approach the Bank of Japan (BoJ) adopted. With this backdrop, the Fund focus will be on sectors that benefit from the revitalized economic activities in the region and REITs with financial strength.

## Market Commentary<sup>7</sup>

During March quarter, the Asian REIT index returned -3.66%, underperforming the broader Asian equities market that returned 10.37%, both in AUD terms.

The key country returns within the Asian region over the December quarter and past year (in AUD) were as follows:

Country	Mar Qtr	1 Year
Hong Kong	-19.55%	-29.19%
Japan	-1.50%	-5.07%
Singapore	-4.27%	-3.42%

A major highlight of the quarter was the BoJ ending its negative interest rate policy in March to raise its benchmark interest rate for the first time in 17 years. Despite the increase, however, the REIT market was supported by its dovish approach and continued quantitative easing policy. In addition to that, the influx of foreign tourists and the highest wage rise in 33 years are seen as positive signals to Japanese economic outlook. Japanese REITs were therefore the best performing market in which the Fund invests, returning a relatively strong -1.50% during the first quarter of 2024.

On the contrary, Hong Kong REITs were the worst performer returning -19.55% during the March quarter, primarily due to its cloudy office market outlook and retail spending leakage to nearby cities especially during the Lunar New Year holiday. Over a one-year period, the Hong Kong REIT market slumped 29.19%.

Facing a challenging macroeconomic environment since the pandemic and slower rental income growth, Singapore REITs returned -4.27% during the March quarter and -3.42% over the past 12 months. Some industrial REITs continued to expand through acquisitions to boost rental revenue, contributing to performance.

Looking forward, the Fund will continue to invest into those Asian regions, sectors and individual REITs whose underlying fundamentals present the best relative prospects for sustained rental, earnings and valuation growth.

- Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Returns and values may rise and fall from one period to another. Past performance is not an indicator of future performance. Fund's inception date used to determine return: 19 July 2011
- Based on Fund ex-buy price as at 31/03/2024. Current running yield as at 31/03/2024 is calculated daily by dividing the annualised distribution rate by the latest entry unit price. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not an indication of future performance.
- Past performance is not an indicator of future performance.

## Asia Team



### **Mark Mazzarella, CFA**

Mark joined Dexus Real Estate Securities (formerly APN Real Estate Securities) team in 2014 and is responsible for the analysis and funds management of the Australian, Global and Asian REIT Funds.

Prior to joining Dexus, Mark worked for Ernst & Young as a Senior Consultant and was responsible for real estate market research, property valuation, project feasibility studies, scenario analysis, financial modelling for real estate investments, transaction due diligence and bespoke advisory engagements. Mark was accepted into the New Horizons Program which resulted in a six-month secondment to the Ernst & Young corporate finance team in Singapore.

Mark holds a Bachelor of Commerce (Finance) and a Bachelor of Property and Construction (Property) from the University of Melbourne. He is an Associate of the Australian Property Institute, a Certified Practising Valuer and a CFA.



### **Vanessa Ng**

Vanessa joined Dexus Real Estate Securities team in 2023 and is tasked with securities analysis across Asian-Pacific region.

Before joining Dexus, Vanessa was a senior analyst at Link REIT in Hong Kong, a research executive for Chanel's retail development team across Asia and a senior analyst for Colliers focusing on China.

Vanessa holds a Master in Property from the University of Adelaide and a Bachelor of Business Administration from the Chinese University of Hong Kong.

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