Dexus Global REIT Fund

Quarterly Report
31 December 2024

Investment Objective

The primary investment return objectives of the Fund are to:

- Deliver a gross annual income yield (before management fees, expenses and taxes) in excess of the Fund's performance benchmark[1], combined with some capital growth, derived predominantly from investing in global REITs
- Maintain the real value of investments over a 5-7 year time horizon (where real value is measured against the weighted-average CPI for those countries within the GPR 250 REIT Index (AU) Yield (or equivalent)
- Provide lower than market volatility[2]

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 North America, Asia Pacific and European markets
- Has paid monthly distributions[3]
- 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	1 April 2020
Fund size	$23.40 as at 31 December 2024
Investment timeframe	5-7 years
Minimum investment	$1000
Minimum additional amount	$500 ($100 per month with regular savings plan)
Income distribution	Monthly generally payable within 10 business days[3]
Current Running Yield	3.80%[4]
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 Global REIT Fund

	3 months %	6 months %	1 year %	3 years %(pa)	Since inception %(pa)
DXGRF total return (after fees)[5]	3.15	16.10	14.46	1.77	9.24
GPR 250 REIT Index (AU) total return	1.37	13.68	12.72	0.22	8.55
+/(-)	1.78	2.42	1.74	1.55	0.69

1. GPR 250 REIT Index (AUD) Yield
2. The Dexus Global REIT Fund aims to provide lower than market volatility compared with the GPR 250 REIT Index (AUD) over a 5-7 year time horizon
3. Past performance is not an indicator of future performance.
4. Current running yield as at 31st December 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.
5. 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: 1 April 2020.

Fund Commentary

The Dexus Global REIT Fund (the Fund) returned 3.15%[7] over the quarter, which was 178bps ahead of the return of its benchmark.

At a regional level, the largest positive contributor to the Fund's relative performance was superior stock selection in North America. This was most evident amongst Canadian REITs where the Fund outperformed the benchmark by 988bps, mostly due to its overweight to the senior housing sector.

At a sub-sector level, the Fund's overweight exposure to select Datacentre and Healthcare REITs contributed to positive performance. This was most pronounced in US hyperscale datacentres, medical office buildings and seniors housing. relatively lower allocation to Retail and Single-family REITs, however, detracted from performance through the period.

At a stock level, the largest contributor to the Fund's relative performance through the quarter was an overweight position in Retail Opportunities Investment Corporation (NYSE:ROIC), a specialised owner and manager of grocery-anchored shopping centres located within densely populated metropolitan areas across the West Coast of the United States. Blackstone announced in November its definitive agreement to acquire ROIC for a 34% premium to the share price prior to news of a potential sale being made public. CTO Realty Growth Inc (NYSE:CTO) was another top performing Retail REIT held by the fund. Its portfolio comprises grocery anchored and lifestyle retail shopping centres located in the US sunbelt. We continue to like select high quality Retail REITs given the lack of new supply and resilient demand for essential items.

The largest detractor to the Fund's relative performance through the quarter was an underweight position in Simon Property Group (NYSE:SPG), a specialist owner and manager of retail malls and outlet centres across the US. We have actively limited the Fund's exposure to discretionary retail landlords, given the outlook for discretionary spending. We have instead allocated to those portfolios providing access to non-discretionary items where retailer sales are likely to prove more resilient.

As relative-value investors looking for growth at a reasonable price, our investment preference remains for REITs with resilient, growing income streams and solid capital structures. Pleasingly, select REITs sharing these attributes currently appear miss-priced by the public market.

Despite recent strong relative performance, in our view select global REITs continue to offer attractive long-term total return prospects and we will continue to focus the Fund's exposure to these opportunities.

Market Commentary[8]

Global REITs (GPR 250 REIT Index (AU)) returned 1.37% through the December quarter, underperforming global equities (MSCI World Index (AU) which returned 12.11%. Country level performance was driven by the United States (4.13%) while, Australia (-7.69%), Belgium (-13.02%), Canada (-10.65%) and the United Kingdom (-11.80%) lagged.

At a sub-sector level Datacentre REITs (20.5%) performed the strongest driven by demand for AI capacity. Consumer adoption of AI tools is accelerating in fields like coding, graphic design, pharmaceuticals, robotics, & education which all require more compute power. Overall vacancy remains below 2% with most new supply pre-leased to hyperscale users on long-term leases.

At a high level, Global REIT sector performance continues to be driven largely by inflation expectations and the ensuing pathway for interest rates. Inflationary forces have proven to be sticky in developed economies including Australia but are decelerating globally into the 2-3% range. Throughout the quarter, however, the sector reacted negatively to the US federal reserve's slower than expected pace of interest rate cuts despite more aggressive cutting observed in Canada, the United Kingdom and the Eurozone.

The last of the major developed-economy election processes for 2024 took place in the US and resulted in the re-election of Donald Trump as President. While policy uncertainty exists, this result is expected to boost the reshoring of US manufacturing and rapid AI development, potentially benefiting industrial and datacentre demand. Substantial tariffs and deportations, if they eventuate, would likely lead to cost increases in construction dampening supply growth for most sectors.

Our analysis of Global REIT sector performance suggests that on balance tenant demand is robust, market rental levels are either stable or growing and there is further support for top-line revenue growth as annual rent indexation progresses through existing leases. Implications of the difficult development financing and construction cost environment has also led to a general lack of built-form supply which should bode well for incumbent landlords. This set-up suggests select well capitalised and managed REITs are positioned to deliver strong returns, in our view.

In our view, performance from here will be led by select Global REITs which have been able to manage their balance sheets well and enjoy the flexibility to actively deploy capital into the next cyclical upswing. As an active manager, we are currently looking to capitalise on these opportunities as we actively manage the portfolio.

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8. Past performance is not an indicator of future performance.

Global 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 Practicing Valuer and a CFA.

David Kruth, CFA

David joined Dexus Real Estate Securities in 2019 as Regional Adviser, with more than 30 years experience across North American and global real estate markets.

He worked for 15 years as CIO, Portfolio Manager and Securities Analyst in global real estate securities with both Alliance Bernstein (AB) and Goldman Sachs Asset Management. David also worked for 13 years in global private equity real estate with Schroder Real Estate Associates and the Yarmouth Group (Lend Lease Real Estate Investments). He served on the Board of Directors at Rouse Properties (NYSE:RSE) from 2011 to 2016 and chaired the special committee tasked with the sale of Rouse to Brookfield Asset Management.

He is Adjunct Assistant Professor at the Columbia University Masters Program in Real Estate Development & Investment and a member of the Investment Advisory Counsel at the Ithaca College School of Business.

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