

Dexus Global REIT Fund

Quarterly Report

30 June 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 benchmark¹, 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 volatility²

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 distributions³
- 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	\$19.34 as at 30 June 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	4.33% 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	-3.26	-1.41	3.51	1.74	6.58
GPR 250 REIT Index (AU) total return	-3.22	-0.85	4.69	1.38	6.35

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 30/06/2024 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 -3.26%⁷ over the quarter, which was 4bps below the return of its benchmark.

At a country level, the Fund's positions within the United States REITs contributed most to the Fund's relative underperformance throughout the period. The largest positive contributor to the Fund's relative performance through the period was positioning within the Canadian REITs, where stock selection drove significant positive contribution to returns.

At a sub-sector level the Fund's positioning within select diversified REITs, particularly within the United States and Spain, contributed to positive performance. A relatively lower exposure to Multi-Family Residential and Healthcare 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 Iron Mountain Inc. (NYSE:IRM), a global owner and operator of real estate utilised for records management including specialised document storage facilities and data centres. IRM has been a core holding within the portfolio for some time given the attractiveness of its incredibly strong market position in physical records storage and ability to convert the resultant pricing power to sustained earnings growth. In more recent periods the group has also developed a complimentary data centre business which is fast becoming a major growth driver.

The largest detractor to the Fund's relative performance over the period was an overweight position in Rexford Industrial Realty In.c (NYSE:REXR) a specialist owner, manager and developer of urban logistics assets within Southern California. Weakness appeared to be driven in part by a weak market update by Prologis Inc. (the largest US peer), along with an announcement by REXR that they planned to undertake a material acquisition partly funded by the placement of equity to a single institutional investor, which weighed on the shares. We continue to anticipate strong upside to returns from REXR's portfolio and remain invested in this name.

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 which we also consider to be miss-priced by the public market.

In our view, select global REITs have the potential to provide investors with liquid access to a defensive real asset class with inflation hedging characteristics. The sector's weakness within the most recent quarter has also presented opportunities to access exceptional relative value we believe can deliver attractive total returns over the long term.

Market Commentary⁸

Global REITs (GPR 250 REIT Index (AU)) returned -3.22% through the June quarter, underperforming global equities (MSCI World Index (AU) which returned 2.77%. Country level performance was driven by Spain (2.53%), United States (-1.54%) and Belgium (1.78%) while, Canada (-9.34%), Japan (-10.85%) and Australia (-11.30%) lagged.

At a sub-sector level Multi-Family Residential REITs (5.87%) performed strongest, driven by an increase in corporate and direct transaction activity which suggested positive capital formation despite pockets of oversupply, particularly in the United States. Indeed, April's news of Blackstone's privatisation of Apartment Income REIT Corp. (NYSE:AIRC) at price reflecting a 25% premium reiterated the fundamental discount to fair value on offer across select residential portfolios. Pleasingly, investors in the Dexus Global REIT Fund benefited from a position in AIRC.

Global REIT sector performance continues to be driven largely by inflation expectations and the ensuing pathway for interest rates. While the market excitedly commenced the year pricing in a total of 175bps of cuts by the FOMC any official downward moves so far in 2024 haven't been forthcoming. The market is now pricing in 85bps of interest rate cuts over the remainder of this calendar year, coincidentally in line with the initial dot-plot signalling by the FOMC that proved an inflection point for Global REIT relative performance late last year.

While inflationary forces have proven to be sticky in developed economies like the United States and Australia, eases in the Canadian core measure saw the Bank of Canada become the first G7 central bank to commence easing this cycle. The European Central Bank also chose to cut their policy rate for the first time since hikes began, joining Sweden's Riksbank and the Swiss National Bank. As the interest rate cycle moves past its peak, we are hopefully this will lead to a greater focus on the fundamental operating performance of Global REIT portfolios as a driver of investment returns.

Our analysis of global REIT portfolio performance suggests 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. Interest rates appear to be stabilising, along with operating cost escalation. This set-up should bode well for bottom line earnings growth and total returns.

In our view, performance from here will be led by select Global REITs who have been able to manage their balance sheets well and enjoy the flexibility to actively deploy capital at this point in the cycle. As an active manager, we are currently looking to capitalise on these opportunities as we move into the next phase of this current cycle.

7. 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

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 Practising 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 AllianceBernstein (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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