

# Dexus Global REIT Fund

## Quarterly Report

31 March 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<sup>1</sup>, 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<sup>2</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 North America, Asia Pacific and European markets
- Has paid monthly distributions<sup>3</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	1 April 2020
Fund size	\$20.45m 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>3</sup>
Current Running Yield	4.14% <sup>4</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 Global REIT Fund

	3 months %	6 months %	1 year %	3 years % (pa)	Since inception % (pa)
DXGRF total return (after fees) <sup>5</sup>	1.91	9.31	5.73	6.34	7.90
GPR 250 REIT Index (AU) total return	2.45	12.20	9.42	6.49	7.63

1. GPR 250 REIT Index (AU) or equivalent, in Australian dollars.
2. The Dexus Global REIT Fund aims to provide lower than market volatility compared with the GPR 250 REIT Index (AU) (or equivalent Global REITs Index) over a 5-7 year time horizon
3. Past performance is not an indicator of future performance.
4. 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.
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

With the quarter to March 2024 the Dexus Global REIT Fund (the Fund) brought up its four-year anniversary since inception. The Fund was launched within the depths of the COVID-19 pandemic and has successfully navigated the challenging market conditions since. Over this time the Fund has delivered investors a net total return of 7.90% p.a. since inception<sup>7</sup>, which is 26bps ahead of the benchmark. Pleasingly, the Fund has also delivered this total return outperformance with a standard deviation of 11.79% p.a. which is 153bps lower than the benchmark.

The Dexus Global REIT Fund (the Fund) returned 1.91%<sup>7</sup> over the quarter, which was 54bps below the return of its benchmark.

At a country level, the Fund's positions within the Australian REITs contributed most to relative underperformance throughout the period, driven to the greatest degree by stock selection. The Fund's stock selection amongst Canadian REITs provided the largest contributor to relative performance. At a sub-sector level, the Fund's position in select Self Storage REITs, particularly within the US, together with underweight positions in Health Care REITs contributed to relative performance while an overweight position in Retail REITs was a detractor.

At a stock level, 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 discretionary consumer weakness, but have instead invested in those landlords providing access to non-discretionary items where retailer sales are likely to prove more resilient. The largest contributor to the Fund's relative performance over the period was an overweight position in Sienna Senior Living Inc. (TSX:SIA) a specialist owner-operator of assisted living and long-term-care facilities in Canada, servicing the specialist residential care needs of that country's aging population.

An ongoing evolution in the market's expectations around the future pathway for inflation and interest rates remain material factors driving Global REIT returns. With economic growth across development markets anticipated to decline and inflation moderate, the earnings outlook for select global REITs are still expected to benefit from contracted rental growth, positive reversion to higher market rents and structural undersupply. As relative-value investors looking for growth at a reasonable price, our investment preference remains for Global 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 and the prospects of attractive total returns over the long term.

## Market Commentary<sup>8</sup>

Global REITs (GPR 250 REIT Index (AU)) returned 2.45% through the March quarter, underperforming global equities (MSCI World Index (AU) which returned 14.26%. Country level performance was driven by Australia (8.36%), United States (3.63%) and France (2.61%) while Hong Kong (-19.9%), Belgium (-8.14%) and Singapore (-4.96%) lagged. At a sub-sector level Data Centre REITs (11.97%) performed strongest, continuing a period of strong absolute performance albeit which was tempered late in the period following release of a critical research report by activist short-sellers. Self Storage REITs (0.78%), Office REITs (-0.10%) and Diversified REITs (0.21%) performed weakest.

A pivot in messaging by the US Federal Open Markets Committee (FOMC) last quarter signalled the market could expect 75bps of interest rate cuts through calendar year 2024 and contributed to the relatively strong performance of the Global REIT sector to finish the year. The shift in commentary came in response to a range of softening macroeconomic data points and was mirrored by the European Central Bank (ECB) as they too suggested an increasing likelihood of lower 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 75bps 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. European macroeconomic data through the quarter, however, presented a different outlook, with inflation slowing more than expected to 2.4%. Indeed, the Swiss National Bank (NB) became the first developed market central bank to cut policy interest rates in March 2024 in response to inflation slowing down.

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. Pleasingly, the most recent quarter included the December 2023 reporting period where financial results, operating performance and interactions with Global REIT management teams suggest fundamentals remain firm across several key commercial real estate markets and sectors. Indeed 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. This set-up should bode well for bottom line earnings growth and total returns, especially for those select Global REITs who have been able to manage their balance sheets well have the capacity 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. Mark is responsible for the management of the Dexus suite of real estate securities funds. Mark is also the Lead Portfolio Manager of the Dexus Global REIT Fund and Dexus Asian REIT Fund.

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 also spent time within 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 charter holder.



### **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.



### **Richard Stone, CFA**

Richard joined the Dexus Real Estate Securities team in 2021 and is responsible for analysing securities across Global REITs, with a current focus on the North American markets.

Richard previously worked at the Future Fund, where he conducted investment performance analysis on a range of asset classes including Global Property and Infrastructure. Prior to that, Richard worked for Evans and Partners as an associate investment advisor, where he helped a range of institutional and private clients manage investments within their portfolios.

Richard holds a Bachelor of Science from the University of Melbourne and has also earned his CFA Charter.



### **Dennis Lui**

Dennis joined the Dexus Real Estate Securities team in 2022 and is tasked with securities analysis across Global REITs currently focusing on the United States market.

Before joining Dexus, Dennis worked as an investment analyst at Clockwise Capital, researching and modelling potential technology investments to maximize long-term client net worth. Dennis also completed an internship with Bank of China (International Business Division) whilst also completing his undergraduate studies.

Dennis holds a Bachelor and Master of Finance from the University of Maryland.

This document ("Material") has been prepared by Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) ("DXAM"), the responsible entity and issuer of the financial products of the Dexus Global REIT Fund (ARSN 642 411 292) mentioned in this Material. DXAM is a wholly owned subsidiary of Dexus (ASX: DXS).

Information in this Material is current as at [31 March 2024] (unless otherwise indicated), is for general information purposes only, (subject to applicable law) does not constitute financial product advice, has been prepared without taking account of the recipient's objectives, financial situation and needs, and does not purport to contain all information necessary for making an investment decision. Accordingly, and before you receive any financial service from us (including deciding to acquire or to continue to hold a product in any fund mentioned in this Material), or act on this Material, investors should obtain and consider the relevant product disclosure statement ("PDS"), DXAM financial services guide ("FSG") and relevant target market determination ("TMD") in full, consider the appropriateness of this Material having regard to your own objectives, financial situation and needs and seek independent legal, tax and financial advice. The PDS, FSG and TMD (hard copy or electronic copy) are available from DXAM, Level 5, 80 Collins Street (South Tower), Melbourne VIC 3000, by visiting <https://www.dexus.com/investor-centre>, by emailing [investorservices@dexus.com](mailto:investorservices@dexus.com) or by phoning 1300 374029. The PDS contains important information about risks, costs and fees (including fees payable to DXAM for managing the fund). Any investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested, and there is no guarantee on the performance of the fund or the return of any capital. This Material does not constitute an offer, invitation, solicitation or recommendation to subscribe for, purchase or sell any financial product, and does not form the basis of any contract or commitment. This Material must not be reproduced or used by any person without DXAM's prior written consent. This Material is not intended for distribution or use in any jurisdiction where it would be contrary to applicable laws, regulations or directives.

Any forward looking statements, opinions and estimates (including statements of intent) in this Material are based on estimates and assumptions related to future business, economic, market, political, social and other conditions that are inherently subject to significant uncertainties, risks and contingencies, and the assumptions may change at any time without notice. Actual results may differ materially from those predicted or implied by any forward looking statements for a range of reasons. Past performance is not an indication of future performance. The forward looking statements only speak as at the date of this Material, and except as required by law, DXAM disclaims any duty to update them to reflect new developments.

Except as required by law, no representation, assurance, guarantee or warranty, express or implied, is made as to the fairness, authenticity, validity, suitability, reliability, accuracy, completeness or correctness of any information, statement, estimate or opinion, or as to the reasonableness of any assumption, in this Material. By reading or viewing this Material and to the fullest extent permitted by law, the recipient releases Dexus, DXAM, their affiliates, and all of their directors, officers, employees, representatives and advisers from any and all direct, indirect and consequential losses, damages, costs, expenses and liabilities of any kind ("Losses") arising in connection with any recipient or person acting on or relying on anything contained in or omitted from this Material or any other written or oral information, statement, estimate or opinion, whether or not the Losses arise in connection with any negligence or default of Dexus, DXAM or their affiliates, or otherwise.

Dexus, DXAM and/or their affiliates may have an interest in the financial products, and may earn fees as a result of transactions, mentioned in this Material.