

Dexus Asian REIT Fund

Quarterly Report

30 September 2023

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 a level of capital growth over a 5-7 year time horizon
- Provide lower than market volatility¹

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 distributions²
- 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 withdrawal (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	\$36.05m as at 30 September 2023
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 ²
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 ³	6.26	6.01	5.87	6.34	5.84
Total return (after fees)⁴	(4.39)	(0.48)	1.95	6.41	8.33

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
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

The Dexus Asian REIT Fund (the Fund) returned -2.65%⁴ over a challenging September quarter, underperforming the Asian REIT Index (the Index) by 183bps⁴ over this period. Over the rolling one year to September, the Fund returned -4.39% as the implications of rising rates and inflation along with economic concerns around China were felt across the Asian region. The Index was down 4.70% over the rolling year, the Fund's return was 31bps⁴ ahead over this period.

Contributors to Fund performance over the quarter were holdings in AIMS APAC REIT and Mapletree Logistics Trust that have both seen resilient dividend growth. A lower than index holding in Link REIT, Asia's largest REIT also contributed to the performance as that stock declined -8.9% over the quarter. Detractors to Fund performance included holdings in Lendlease Global Commercial REIT and ESR-LOGOS REIT, both impacted by capital management concerns, along with Fortune REIT which was impacted by concerns on the slower-than-expected retail recovery in Hong Kong.

Rising interest rates acted as a strong headwind for REITs globally over the quarter (notably in September) but this impact was less significant in Japan, where inflation and interest rates remain relatively low. Similar to other markets around the globe, higher interest rates are having a stronger impact on REITs with higher levels of debt. This remains a key issue in our decision making across all our portfolio's.

For the Asian region, the ongoing concerns around China's economic outlook continues to weigh on investor sentiment, most notably in Hong Kong REITs, which has also seen a significant decline in traded share volumes.

Outside of Hong Kong, other Asian markets were relatively robust over the quarter, highlighting the defensive attributes of investing across the Asian region. This compares to Australian REITs which fell 3.04% and US REITs (RMZ REIT Index in USD) which fell 7.02% over the same period.

As at 30 September 2023, the Dexus Asian REIT Fund provided a compelling 7.43%⁵ distribution yield.

Market Commentary

Over the quarter, the Asian REIT index returned -0.82%, underperforming the broader Asian equities market that returned 0.82% over the quarter.

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

Hong Kong: -8.52% / -21.61%
Japan: +1.07% / -3.75%
Singapore: -1.54% / +1.50%

Japanese REITs (JREITs) were the best-performing market across the Asian region over the quarter thanks to a sharp return of inbound (international) tourists and increased interest from overseas investors due to the weaker yen. The impact of the Bank of Japan's decision to adopt a more flexible yield curve control policy on JREITs was minimal as this had already been priced in by the market. JREITs were thus one of the few markets to provide a positive return over the quarter.

Hong Kong REITs remained the weakest with foreign investors backing away after China's ongoing property crisis, along with signs of a further deterioration in business and consumer sentiment. While there is significant value on offer and relatively high yields, downward pressure is likely to remain while the risk of further increases in US long-term high interest rates continues.

Driven by the rebound in tourism activities across the Asian region, Hotel REITs outperformed other asset classes over the quarter, while Retail REITs were the worst performing sector due to the lower-than-expected spending of Chinese shoppers, combined with the impacts of currency depreciation.

Over the September quarter, the strongest performing stocks were AIMS APAC REIT (+7.65%) and Mapletree Logistics Trust (+7.33%) both benefitting from the ongoing demand for logistics facilities across the region. United Urban Investment also performed well (+6.97%) with strong rental growth in logistic assets and earning recovery of its hotel portfolio proving attractive to investors.

The weakest performing Asian REITs were all Singaporean names with Lendlease Global (-12.50%), Fraser Logistics (-12.47%) and ESR Logos (-12.08%) all seeing significant declines over the quarter.

5. Based on Fund ex-buy price as at 30/09/23. Current running yield as at 30/09/23 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.

Asia Team



Pete Morrissey

Pete joined Dexus Real Estate Securities (formerly APN) in 2006. Pete has been the Head of Real Estate Securities since 2019 and is responsible for the management of the Dexus suite of real estate securities funds and the dedicated Fund Manager of the Dexus AREIT Fund.

With more than 20 years financial markets experience, Pete brings a unique knowledge set having completed Masters level academic research papers on both commercial real estate cycles and global property securities.

Prior to joining Dexus, Pete was a senior analyst at research house Lonsec and managed an internationally focused private investment fund. Pete also spent several years as an analyst in the UK for Nomura, ING Barings and Lloyds Banking Group.



Mark Mazzarella, CFA

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

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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