

Dexus Global REIT Fund

Quarterly Report

30 September 2023

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) (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 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 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	\$19.19m 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 ³
Current Running Yield	4.16% ⁵
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 %	2 years %(pa)	3 years %(pa)	Since inception %(pa)
Income ⁴	1.03	2.12	4.01	3.78	3.80	3.51
Total return (after fees)⁶	(2.11)	(3.28)	2.59	(3.02)	7.02	6.34

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. Income (yield) 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. Current running yield as at 30/09/2023 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.

6. 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

Over the quarter, the Dexus Global REIT Fund (the Fund) returned -2.11%⁷, outperforming its benchmark by 1.48%. Stock selection was the major driver to the Fund's relative outperformance, with country allocation a marginal positive contributor while currency was a mild detractor through the period.

At a country level, the Fund's positions within the US REITs contributed substantially to relative outperformance, despite an overall underweight allocation to this market, highlighting stock selection as a factor. The Fund's overweight allocation to Canadian REITs, which underperformed, saw this country exposure provide the largest detractor to relative performance. At a sub-sector level, the Fund's positions in select Retail REITs, particularly within the US and France, together with underweight positions in Office REITs and Self-Storage REITs contributed to relative outperformance.

A material contributor to the Fund's relative outperformance through the quarter was an overweight position in RPT Realty (NYSE:RPT), a specialist owner and manager of grocery-anchored shopping centres across attractive urban locations within the US, which was the subject of an all-scrip takeover offer from larger peer Kimco Realty Corporation (NYSE:KIM). RPT Realty has been a core holding within the Fund for several years given our assessment its high-quality, non-discretionary retail portfolio reflected attractive relative value for investors in the underlying equity. While the announced deal resulted in a c.17% positive re-rate, the all-scrip and friendly nature of the deal sees us take the view a higher competing offer, or one with a compelling cash component, is unlikely in the current interest rate environment.

Historically when nearing the top of interest rate cycles, REIT performance improves and often outperforms as this cycle turns. A repeat of prior trends will be positive for both existing and new global REIT investors. As a relative-value investor, our preference remains for investment into Global REITs with resilient, growing income streams and solid capital structures which we consider to be miss-priced by the broader market. As such, we currently see the most compelling opportunities in logistics, residential, technology and non-discretionary retail REIT portfolios with select names trading at attractive levels.

We are hopeful for a return to underlying REIT fundamentals as a driver of investor returns over the coming period. The effects of rising interest rates and sticky inflation though are likely to continue to be felt by global REITs however this may provide opportunities for investors. 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 long-term total returns.

Market Commentary

Over the quarter, global REITs (GPR 250 REIT Index (AU)) returned -3.59%, underperforming global equities (MSCI World Index (AU) which returned 0.06% over the period. Country level performance was driven by Spain (2.85%) United Kingdom (1.65%) and France (0.43%) while Hong Kong (-9.54%), Australia (-5.89%) and Canada (-4.49%) lagged.

At a sub-sector level Data Centre REITs (11.48%) performed strongest for the second consecutive quarter in response potentially significant artificial intelligence (AI) driven demand. Self-Storage REITs (-8.94%), Multi-Family residential REITs (-7.47%) and Retail REITs (-5.15%) performed weakest.

A single macroeconomic theme continued to dominate the global REITs sector, being the increasing likelihood of higher interest rates for longer. While there was some respite earlier in the quarter, and several developed market central banks indicating the potential for a peak having been reached at this point in their respective tightening cycles, further upside pressure on rates is fast becoming a market expectation.

Despite even the US Federal Open Markets Committee (FOMC) pausing in their September decision, persistent high inflation levels and a robust labour market saw the dot-plot of member rate expectations indicating just 50bps of cuts in 2024, down from 100bps at the prior meeting. These developments manifested in longer-dated developed government bond yields increasing to levels not seen for some time, indeed the US ten-year treasury yield reached a level not observed in almost two decades.

For global REITs, the many earnings updates throughout the quarter indicated the higher-for-longer rates theme is playing through to future return expectations. Management teams on-balance guiding towards increasing portfolio capitalisation rates and higher borrowing costs, while noting transmission of inflationary effects to increasing rental levels offsetting but to varying degrees. Global REIT management teams, industry participants and real-time data also indicate direct real estate transaction activity remains muted, with the lack of liquidity negatively impacting price discovery and confidence in the ability to underwrite returns within the current interest rate regime.

Pockets of activity were evident, with several well-capitalised REITs able to participate in direct transaction markets through the period. The most significant of these was a transactions entered into by US Self-Storage REIT Public Storage (NYSE:PSA) wherein they contracted to acquire a USD 2.2bn portfolio comprising 127 wholly owned properties from Blackstone Real Estate Income Trust. It is our expectation that as interest rates stabilise direct real estate transaction activity will likely increase.

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

Global Team



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.



David Kruth

David joined Dexus Real Estate Securities (formerly APN 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

Richard joined the Dexus Real Estate Securities team (formerly APN Real Estate Securities) 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 APN 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.

www.dexus.com

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 30 September 2023 (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 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.