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Quarterly Report

Dexus AREIT Fund

September 2025

Contents

Investment objective

The primary investment return objectives of the Fund are to:

- Provide a gross annual income yield (before management fees and expenses) that equates to at least 110% of the average yield of the S&P/ASX 300 AREIT Index Dividend Yield
- Provide a level of capital growth which at least matches increases in CPI over a 5-7 year time horizon
- Provide lower than market volatility[1]

Features

- Focus on generating sustainable, regular and relatively high income returns relative to the benchmark performance through investing in listed property securities
- Access to an underlying diversified portfolio of thousands of quality commercial real estate assets predominantly located in Australia
- Has paid monthly distributions[2]
- 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)
- Risks associated with managed investment schemes and specific to the Fund are set out in the PDS

1. The Dexus AREIT Fund aims to provide lower than market volatility compared with the S&P/ASX 300 AREIT Index over a 5-7 year time horizon.
2. Past performance is not an indicator of future performance.

Fund facts

Fund type	Property Securities Fund
Commencement date	19 January 2009
Fund size	$462.16m as at 30 September 2025
Minimum suggested investment timeframe	5-7 years
Minimum investment amount	$1,000
Minimum additional amount	$500 ($100 per month with regular savings plan)
Income distribution	Monthly generally payable within 10 business days[2]
Current Running Yield	5.38%[3]
Unit pricing	Daily
Management fees and costs	0.85% pa of NAV (see section 6 of the PDS for details)
Buy/sell spread	0.15% buy and 0.15% sell

3.Current running 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.

Fund performance

Dexus AREIT Fund	3 months	6 months	1 year	3 years	5 years	10 years	Since inception
	%	%	%	%	%	%	%
Income[4]	1.47	3.26	5.89	6.85	6.28	6.26	7.44
Total return (after fees)[5]	**7.62**	**16.60**	**6.94**	**16.02**	**9.62**	**6.23**	**10.13**

4. 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: 19 January 2009

Fund commentary – Dexus AREIT Fund

The Dexus AREIT Fund delivered a 7.62%[7] return for the September quarter, outperforming the AREIT 300 Index by 285 bps and the equity index[6] by 263 bps.

The quarter saw the AREITs report their results (predominantly) for the 12-months ending 30 June 2025. This was well-received by the market, aided by the enduring growth in the top-line, as potential commercial developments remain uneconomical. This in turn is benefitting landlords who hold existing assets. Falling interest costs (with further reductions expected) and the relative valuation attractiveness of AREITs, versus the general market were the other key drivers. In September itself, the softness in AREITs in the month was driven by the August monthly inflation figure coming in above expectations, reducing the likelihood of further, nearer-term interest rate cuts.

Supported by it remaining uneconomic to develop commercial assets, moving through the trough of the valuation cycle, lower payout ratios driving enhanced, longer-term growth and ongoing sound capital management, the AREITs (which generally hold the better-quality assets) are well set-up for ongoing growth in both the income and capital value. Crucially, this backdrop does not require further interest rate cuts to deliver the forecast returns.

Key contributors to the Fund's performance over the quarter were:
- Goodman Group (Underweight)
- Stockland (Overweight); and
- Scentre Group (Overweight).

Key detractors to the Fund's performance over the quarter were:
- Charter Hall Group (Underweight);
- HealthCo REIT (Overweight); and
- GPT Group (Underweight).

Key metrics	Fund
Dividend Yield[7]	5.4%
Earnings Yield[7]	5.6%
Implied 3-yr EPS Growth	6.0%
Price to NAV	4.5% discount
Implied Cap Rate	5.6%

The Fund continues to display enhanced value and is crucially delivering a materially higher dividend yield, versus the AREIT 300 index, which is 3.2%. For context, the AREIT 300 index yield is lower than the general equity[6] market yield, which is 3.3%. This discrepancy is being driven by a couple of AREITs, most notably Goodman, as it comprises over 36% of the AREIT 300 Index and delivers a sub-1% yield.

The AREIT Fund remains skewed to the more traditional AREITs generating most of their earnings via rent. This is in line with the objective of delivering a sustainable and growing rental income stream to investors, via growing distributions. Developments remain cost prohibitive across most property types, increasingly aiding the owners of existing assets, who have pricing power in setting rents.

From an active earnings basis, the AREIT Fund is overweight those names with operations in providing affordable residential rental assets (including land lease) and detached house and land developments. This segment is gaining more traction in the market, due to lower construction costs and shorter lead times. Combined with enhanced policy incentives, government support and population growth, we see ongoing, sustainable tailwinds in this cohort.

An increasing number of AREITs are still looking to pivot towards "capital-light" models via a move towards funds management. The increased competition is impacting upon their fee generation ability, making us more cautious. Capital partnering is less of a concern but also increasingly competitive.

Retail is a property sector that continues to provide better risk-adjusted exposure. Retail strength was evident across all categories, with the broad-based tailwinds expected to remain enduring for the foreseeable future. Assets are virtually 100% occupied, leading to pricing power for the landlords, aided by existing tenants seeking larger footprints. Alternatives are also benefiting from their low-supply starting point, aided more generally by government support, longer WALEs, triple-net leases and negligible cash-flow leakage via incentives.

Office continues to display increased bifurcation, with strong tenant demand and subsequent growth being visible in the core CBD precincts, in the better-quality assets, close to amenity. Brisbane is seeing this buoyancy spilling into the suburbs. Industrials moderation continues but capital is still seeking exposure to the sub-sector, given the under-renting that still endures, albeit, at lower levels.

6. S&P/ASX 300 Equity Index
7. Past performance is not an indicator of future performance.

Market commentary[8]

	September 2025 Qtr	September 2025 Yr
S&P/ASX 300 AREIT[9]	4.8%	4.3%
S&P/ASX 300[9]	5.0%	10.8%
10-Yr Bond Yield[8]	4.30%	3.97%
10-Yr Real Bond Yield[8]	1.96%	1.62%
Implied Inflation	2.34%	2.35%

The AREIT 300 Index underperformed equities by 22 bps in the September quarter and by 649 bps over the 12-months. This was driven by the negative 10.6% total returns delivered by Goodman Group over the last 12-months, which comprises over a third of the AREIT 300 Index.

The Australian 10-year bond yield finished at 4.3%. Given real bond yields are just shy of 2%, the market is implying a ~2.3% inflation figure. This is little changed over the last 12-months.

A majority of the AREITs continue to trade at a discount to their break-up value. This supports the growth outlook we forecast and is a better risk-adjusted outcome, as the vast majority of AREITs do not need to be reliant upon deal-making to derive their forecast earnings growth. Buy-backs have become more prevalent, in order to reduce the valuation gap, as the market is confident in the trough of the earnings cycle being in the rear-view mirror. (We too share this view).

Assisted by lower funding costs (and margins) we expect corporate activity to emerge, should the discounts persist. Alternatively, the increasing number of AREITs trading above NTA supports equity issuance to fund acquisitions. This has started to come to the fore, with an increasing number of distribution reinvestment plans turned-on.

In terms of property sub-sector performance, industrial is the only sub-sector to deliver negative total returns. Driven by Goodman's weakness, the market is increasingly realising that Goodman's pivot towards DC developments is becoming more capital intensive and longer dated than previously thought. This as the near-term likelihood of profitability via the AI opportunity remains elusive.

The diversified and the retail sub-sectors were the standout over the year, as the market is increasingly seeking exposure to the retail and residential property sub-sectors, given their respective ongoing underlying tailwinds. (The Fund is overweight these two property sub-sectors).

Asset class	3M%[9]	12M%[9]
Industrial	-3.8	-10.0
Retail	11.8	16.9
Alternatives	11.0	7.0
Diversified	12.6	21.5
Office	9.6	1.1

At the stock level, outperformers in the AREIT 300 Index over the September quarter were[9]:

- Cromwell Group (+36.0%); and
- Centuria Capital (+31.2%); and
- Charter Hall Social Infrastructure (+18.8%).

The underperformers during the quarter were[9]:

- DigiCo Infrastructure REIT (-21.1%);
- Abacus Storage King (-8.8%); and
- Goodman Group (-4.3%).

Our analysis has the AREIT sector priced at a dividend yield of 3.2%, which is below the 10-year bond at the end of the September quarter (4.30%). Excluding the fund manager cohort, which has a greater exposure to non-rental income streams (Goodman, Charter Hall and Centuria Capital) the AREIT sector trades at a far more attractive 4.8% distribution yield, ~50 bps above 10-year bond yield. The forecast implied returns of AREITs are in the low double-digit territory, higher than the returns the Fund has delivered since inception.

Should bond yields reduce, further growth upside from the AREITs is forecast, from both a relative valuation and asset value perspective. This is not in our base-case forecasts.

8. Index and Bond figures sources from JP Morgan Research.
9. Sector and stock performance figures sourced from UBS Research.

Investment 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.

Mario Saccoccio

Mario joined Dexus Real Estate Securities in March 2024, as Lead Portfolio Manager of the Dexus AREIT Fund. Mario is responsible for portfolio management and research coverage of the AREIT sector.

Prior to joining Dexus, Mario was a Portfolio Manager at SG Hiscock & Co for 12 years where he was focused on managing Australian REIT portfolios, both for absolute return and income focused investment mandates. Mario also had sole responsibility for the modelling and analysis of property-related entities, developers, fund managers, infrastructure and global REITs for this firm's international mandates. Mario was previously Investment Manager at Baron Corporation, and Fund Manager & Head of Economic Research at MacarthurCook Limited. Mario holds a Graduate Diploma of Applied Finance & Investment (Investment Analysis stream) and Bachelor of Economics (Honours) from La Trobe University and is also a FINSIA Associate

Cindy Effendi

Cindy joined Dexus Real Estate Securities in October 2022 and responsible for the Australian REIT coverage. Prior to joining Dexus, Cindy has over a decade of experience as an equities analyst in Australia and Indonesia having worked for Macquarie Securities (Indonesia), CIMB Securities (Indonesia) and Diogenes Research in Melbourne.

Cindy has covered a wide range of industries including AREITs, consumer discretionary, construction and healthcare, boosting the team's in-depth equities analysis capabilities.

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