Quarterly Report

Dexus AREIT Fund

December 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

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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	$433.24m as at 31 December 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	5.50%[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]	1.33	2.87	6.22	6.49	6.11	6.18	7.41
Total return (after fees)[5]	**-0.79**	**6.78**	**13.39**	**11.46**	**7.16**	**5.50**	**9.92**

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 negative 0.79%[7] return for the December quarter, outperforming the AREIT 300 Index by 43 bps and the equity index[6] by 10 bps.

The quarter was notable as rising inflation led to the market moving away from expecting further interest rate cuts, to the next move being up in 2026. AREITs were negatively impacted and were particularly weak in November, with the residential-exposed names hit hardest. This was despite the Federal Government's 5% Deposit Scheme directed towards First Home Buyers coming into effect in October 2025 and having a more meaningful impact on the housing market, as opposed to a further cut to official interest rates.

Other notable events to transpire during the quarter included:

- A takeover offer for National Storage by a private consortium comprising GIC and Brookfield;
- Goodman and Canada Pension Plan Investment Board entering a $14 billion joint venture, to develop European data centres ("DCs"); and
- A rush of retail transactions into calendar year end, principally driven by:
  - Charter Hall Convenience Retail Fund actively acquiring a number of convenience-based assets; and
  - Scentre Group selling another 25% stake in Westfield Chermside and a 20% stake in Westfield Sydney.

Key contributors to the Fund's performance over the quarter were:

- Goodman Group (Underweight)
- National Storage (Overweight); and
- Mirvac Group (Underweight).

Key detractors to the Fund's performance over the quarter were:

- Charter Hall Group (Underweight);
- Stockland (Overweight); and
- GPT Group (Underweight).

Key Metrics	Fund
Dividend Yield[7]	5.5%
Earnings Yield[7]	5.8%
Implied 3-yr Earnings per Share (EPS) Growth	6.0%
Price to Net Asset Value (NAV)	10.6% Discount
Implied Cap Rate	6.0%

The Fund continues to display enhanced value and is crucially delivering a materially higher dividend yield, versus the AREIT 300 index at 3.3%. For context, the AREIT 300 index yield is lower than the general equity[6] market yield (3.5%). This discrepancy is being driven by a couple of AREITs, most notably Goodman, as it comprises over a third 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. Such AREITs are predominantly trading at a discount to NTA/NAV and continue to display attractive return profiles. Developments remain cost prohibitive across most property types, increasingly aiding the owners of existing assets, who have pricing power in setting rents.

Retail is a property sector that continues to provide better risk-adjusted exposure (and is the Fund's main property exposure). Retail's strength is evident across all categories, with the broad-based tailwinds expected for the foreseeable future. The assets are virtually 100% occupied, leading to ever-improving pricing power for the landlords, aided by existing tenants seeking more space. 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 negligible 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's strength is broad-based and not just confined to the CBD. Industrial's moderation continues but capital continues to seek a more selective exposure.

For Residential, the AREIT Fund is exposed to names that deliver affordable residential rental assets (including land lease). Combined with government support, incentives and population growth, we see ongoing, sustainable tailwinds in this cohort, even if interest rate cuts are off the agenda.

The increasing number of AREITs moving towards funds management makes it more competitive, impacting upon their fee generation ability. This makes us more cautious. Capital partnering is less of a concern but increasingly competitive.

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

Market Commentary[8]

	December 2025 Qtr	December 2025 Yr
S&P/ASX 300 AREIT[9]	-1.22%	9.68%
S&P/ASX 300[9]	-0.89%	10.66%
10-Yr Bond Yield[8]	4.75%	4.37%
10-Yr Real Bond Yield[8]	2.40%	2.04%
Implied Inflation	2.35%	2.33%

The AREIT 300 Index underperformed equities by 33 bps in the December quarter and by 98 bps over the 12-months. This was driven by the negative 12.23% total returns delivered by Goodman Group in 2025, which comprises around a third of the AREIT 300 Index.

The Australian 10-year bond yield finished at 4.75%. This is up 44 bps over the quarter and 38 bps over the last 12-months, as inflationary expectations rose in late-2025, as more investors come to terms with inflation being more elevated than what was experienced in the post-GFC/pre-pandemic era. Given real bond yields are at 2.40%, the market is implying a ~2.35% inflation figure.

Whilst further interest rate cuts have likely ceased, margins generally continue to materially reduce, as lenders view the AREITs with their better-quality assets as an increasingly desirable exposure. This is largely based on the ongoing lack of supply, leading to rising rents, given the underlying growth in the economy. The combination of the rental increases and (at worst) a flatlining of the cost of financing should continue to lead to robust earnings growth.

A majority of the AREITs still trade at a discount to their break-up value, as was discussed in a recent note that we published (link **here**). This supports the forecast growth outlook and remains a better risk-adjusted outcome, as the vast majority of AREITs do not need to rely upon transactions and developments to derive earnings growth.

We still foresee further corporate activity emerging, should the discounts to Net Tangible Assets (“NTA”)/NAV persist, especially in comparison to the private sector. The takeover offer for National Storage emerged during the period, with the bidders representing offshore, private and sovereign capital is the most recent and highest profile example of this dynamic. Buy-Backs are also being initiated to close this gap. Alternatively, the growing number of AREITs trading above NTA supports equity issuance to fund acquisitions and limited developments. Distribution Reinvestment Plans continue to be utilised over capital raisings.

In terms of property sub-sector performance, industrial was still the weakest over the quarter and the only sub-sector to deliver negative total returns over the year. Goodman’s weakness continues, as the market is coming to the realisation that it’s pivot towards DC developments is more capital intensive, lower returning and longer dated than previously envisioned.

Retail was the only subsector to deliver a positive total return in the quarter, as the underlying performance of the assets, combined with transactional evidence supports the subsector. Both the diversified and the retail sub-sectors remain the standout performers over the year, as the market sought exposure to the retail, residential and fund managers, over the course of 2025.

Asset Class	3M%[9]	12M%[9]
Industrial	-5.0	-11.4
Retail	2.3	27.8
Alternatives	-4.9	10.1
Diversified	-0.4	32.6
Office	-0.5	11.7

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

- Aspen (+24.9%);
- National Storage (+18.7%); and
- Abacus Storage King (10.8%).

The underperformers during the quarter were[9]:

- Charter Hall Social Infrastructure (-7.9%);
- Mirvac Group (-7.6%); and
- Arena REIT (-7.0%).

Our analysis has the AREIT sector priced at a dividend yield of 3.3%, which is below the 10-year bond at the end of the December quarter (4.75%). Excluding the fund manager cohort, which has a greater exposure to non-rental income streams, the AREIT sector trades at a far more attractive 4.8% distribution yield. The forecast implied returns of AREITs are in the low double-digit territory, higher than the returns the Fund has delivered since inception. This provides an attractive entry point into the AREIT sector.

8. Index and Bond figures sources from Iress and Bloomberg.
9. Sector and stock performance figures sourced from Barrenjoey Research and 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 and Global 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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