

Quarterly Report

Dexus AREIT Fund

March 2026



Contents

Investment objective	3
Features	3
Fund facts	3
Fund performance	4
Investment team	6



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 volatility¹

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 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)
- 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	\$353.74m as at 31 March 2026
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	6.56% 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	1.20	2.31	5.36	6.15	5.89	6.03	7.31
Total return (after fees)⁵	-14.91	-15.58	-1.56	6.30	3.65	3.15	8.74

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 -14.91%⁷ return for the March quarter, outperforming the AREIT 300 Index by 1.51% but underperforming the equity index⁶ by 12.91%.

The quarter started with the market increasingly expecting interest rates to increase, given the rising inflation prints (from a level already consistently above the RBA's 2%-3% inflation target). By March, this inflation trend had escalated, given the break-out of the war in the Gulf and the subsequent closure of the Strait of Hormuz, severely disrupting transportation of critical resources. 50 bps of interest rate hikes were delivered by the RBA during the quarter, with the market currently predicting a peak in 12-months' time of ~4.75%.

This backdrop negatively impacted AREITs, given they are more interest rate sensitive sectors. It overshadowed the February reporting season, which highlighted the increasingly favourable underlying performance of the AREITs, as the economic rent required to induce supply is materially higher than current rents. Financing margins have reduced, as banks continue to seek the better-quality property exposures. This is offsetting to a large degree the interest rate rises experienced in 2026 to date.

The other notable event to transpire during the quarter included the Independent Expert declaring the bid for National Storage by the private consortium comprising GIC and Brookfield, is both fair and reasonable. The top-end of the range valuation coincides with the all-cash bid price (including distributions) of \$2.86 per security.

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

- Vicinity Centres (Overweight)
- Charter Hall Group (Underweight); and
- Dexus Convenience Retail (Overweight).

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

- Stockland (Overweight);
- BWP Trust (Underweight); and
- Scentre Group (Overweight).

Key Metrics	Fund
Dividend Yield ⁷	6.6%
Adjusted Funds From Operation (AFFO) Yield ⁷	6.2%
Implied 3-yr AFFO per Share Growth	6.1%
Price to Net Asset Value (NAV)	24.0% Discount
Implied Cap Rate	6.1%

The Fund is displaying enhanced value and delivers a materially higher dividend yield, versus the AREIT 300 index, which is at ~4.0%.

The AREIT Fund remains skewed to the more traditional AREITs generating most of their earnings via rent. Such AREITs are trading at material discounts to NTA/NAV that have only increased due to the sell-off, improving the attractive return profiles on offer. In general, developments remain and are increasingly cost prohibitive, aiding the owners of existing assets, who have pricing power in setting rents.

Retail remains the standout sector, continuing to provide the better risk-adjusted exposure and remains the Fund's main property exposure. Retail's strength is evident across all categories, with the outbreak of war in the Gulf expected to support retail AREITs, especially in convenience-based names. Malls too should benefit from their experiential-based offering, as people potentially reduce travel, substituting it with a trip to the mall, combined with click & collect. This should offset any weakness in discretionary spending. Retail space is virtually 100% occupied, leading to ever-improving pricing power for the landlords, with relatively low occupancy cost ratio, which supports the retailer's ability to pay the rent. 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 minimal incentives.

Office is increasingly bifurcated, with strong tenant demand and subsequent growth being visible in the core CBD precincts, in the better-quality assets, close to amenity. Capital has been increasingly seeking such exposure. Industrial, whilst moderating, remains fundamentally healthy, whilst acknowledging the growing divergence in performance across both sub-markets and asset quality.

For Residential, the AREIT Fund is exposed to names that deliver affordable products (including land lease). Sites can be reconfigured to meet the market's price points. Residential has been adversely impacted since late-2025 with expectations of rising interest rates. This has since been compounded by the Iran war and the jump in material costs. Nevertheless, this is more than reflected in the current pricing.

The increasing number of AREITs moving towards funds management makes it a more competitive environment, impacting upon their fee generation ability. This and investor nervousness given the growing volatility in the markets makes us even more cautious in terms of their ability to raise capital, with the risks growing of assets under management ("AUM") reducing, especially if valuations start to fall.

6. S&P/ASX 300 Equity Index

7. Past performance is not an indicator of future performance.

Market Commentary⁸

	March 2026 Qtr	March 2025 Yr
S&P/ASX 300 AREIT ⁹	-16.4%	-1.9%
S&P/ASX 300 ⁹	-2.0%	11.6%
10-Yr Bond Yield ⁸	4.97%	4.38%
10-Yr Real Bond Yield ⁸	2.58%	2.26%
Implied Inflation	2.39%	2.12%

The AREIT 300 Index underperformed equities by 14.42% in the March quarter and by 13.50% over the 12-months. This was driven by the 50 bps increase in interest rates experienced in the March 2026 quarter, with the expectation of further interest rate rises being necessitated, given the higher inflation recorded in Australia before the Gulf war amplified the prospects of further rates hikes.

This has resulted in the Australian 10-year bond yield rising ~23 bps over the quarter (~59 bps over the rolling 12-months) finishing at 4.97%, having traded above 5% in late-March. Real bond yields rose to 2.58%, implying a 2.39% long-term inflation figure.

The December 2025 reporting season highlighted the improved access and pricing of debt for the AREITs (as banks seek exposure towards the better-quality assets). This should alleviate a sizable portion of the AREITs overall rise in the cost of financing experienced to date. The AREITs that outperformed during the quarter were the ones that have more conservative balance sheets and capital management initiatives, such as low gearing and high hedging for a relatively extended period.

The forecast growth outlook for AREITs has subsequently improved, given the sell-off experienced to date, with enhanced risk-adjusted returns, as the vast majority of AREITs do not need to rely upon transactions and developments to generate their income and growth. The ongoing lack of supply is expected to deteriorate further, given the increased economic costs expected from the Gulf War. This should lead to a continuation of solid rental growth, which in turn should offset both the rise in the cost of debt in due course, along with supporting asset valuations, mitigating any fall in valuations based on elevated interest rates over the short to medium-term, before contracting.

We foresee further corporate activity emerging, should the increased discounts to NTA/NAV persist, especially in comparison to the unlisted market. Buy-Backs are also being initiated to close this gap, as an increasing number of AREITs see this route as their best use of capital, delivering the best risk-adjusted returns.

Unsurprisingly, all subsectors were negative over the quarter, as the rise in interest rate expectations and geopolitics made it impossible to avoid. Alternatives was the best performer, aided by comprising the only two AREITs to deliver a positive total return: Rural Funds Group and National Storage. Diversified was the weakest, given the residential-exposed names are under this classification. The residential names have to date borne the brunt of the negative impact associated with the rising interest rate environment and expected cost increases associated with the Gulf War. Most of the residential-exposed names are trading below NTA, with market applying no value to their profitable and scalable development businesses.

Over the rolling 12-months, only industrial and office have delivered negative total returns, driven by Goodman and Dexus, respectively. The vast majority of AREITs delivered positive total returns over the 12-months, with the retail subsector being the outperformer.

Asset Class	3M% ⁹	12M% ⁹
Industrial	-17.4	-8.9
Retail	-12.8	7.8
Alternatives	-6.7	5.5
Diversified	-20.2	1.2
Office	-14.6	-9.5

At the stock level, outperformers in the AREIT 300 Index over the March quarter were⁹:

- Rural Funds Group (+3.5%);
- National Storage (+1.5%); and
- Region Group (-3.4%).

The underperformers during the quarter were⁹:

- DigiCo (-37.3%);
- Stockland (-24.8%); and
- Charter Hall (-23.8%).

Our analysis has the AREIT sector priced at a dividend yield of 3.97%, which is 100 bps below the 10-year bond at the end of the March quarter (4.97%). Excluding the fund manager cohort, which has a greater exposure to non-rental income streams, the AREIT sector trades at a far more attractive 5.71% distribution yield. The forecast implied returns of AREITs are in the low double-digit territory, materially higher than the returns the Fund has delivered since inception.

This provides an attractive entry point into the AREIT sector, despite the near-term headwinds, which are overshadowing the underlying robust fundamentals. Given the favourable supply/demand dynamics, AREITs have the characteristics that typify the "HALO" (heavy assets, low obsolescence) that many investors are seeking in the present environment.

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 Practising 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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