

Quarterly Report

Dexus AREIT Fund

September 2026



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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 Dexu 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 a reliable indicator of future performance.

Fund facts

Fund type	Property Securities Fund
Commencement date	19 January 2009
Fund size	\$322.95m as at 30 September 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	6.58% 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 a reliable 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	3.18	4.99	6.21	5.84	6.03	7.28
Total return (after fees)⁵	-4.97	2.93	-13.10	7.92	1.44	2.71	8.66

4. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not a reliable 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 a reliable 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 4.97%⁵ in total returns for the September quarter, outperforming the AREIT 300 Index by 3.38% but underperforming the equity index⁶ by 6.27%.

The quarter was impacted by the continued rise in interest rates, both in Australia and globally. This has been driven by the global jump in inflationary pressures. Ongoing and rising capital requirements of the AI buildout, along with the wars in the Middle East and their subsequent effect on mobility and costs for oil and goods, coupled with the ongoing elevated government spending are the common elements. Adding to this is the jump in equity and debt issuance to fund the AI buildout and government spending, which has increased interest rates to levels not experienced in the post-GFC era.

AREITs reported their financials for 30 June during the quarter. Their underlying strong results, delivering growing and resilient earnings were overshadowed by the rise in interest rates. Notable events to have transpired during the quarter included:

- Ingenia Communities announcing the proposed acquisition of residential developer Peet Limited, via cash/scrip bid;
- Warburg Pincus lobbed three times increased, non-binding indicative offers for Ingenia, conditional on Ingenia not proceeding with the Peet acquisition;
- Healthscope lenders approved the transfer of hospital operations to alternative hospital operators. This has positively impacted HealthCo, with distributions resuming for FY27;
- Residential developer - Bathla - went into receivership, owing more than \$3 billion to private credit. Centuria Bass is one of the major creditors and remains confident in being paid back in full;
- Edge Learning, a major tenant of Arena REIT, went into administration. Whilst alternative operators are currently being sought, the administrators are paying the rent. This surpasses assumptions made in Arena's FY27 forecasts; and
- Abacus Group sold down their stake in Storage King Group to both interests associated with Storage King's largest securityholder (Nathan Kirsch) as well as via an institutional block trade.

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

- Stockland (Overweight);
- Goodman Group (Underweight); and
- Dexus (Overweight).

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

- Arena REIT (Overweight);
- Centuria Capital (Overweight); and
- Mirvac (Underweight).

Key Metrics	Dexus AREIT Fund	AREIT 300 Index
Distribution Yield ⁷	6.6%	3.9%
Price to Net Asset Value (NAV)	21.8% Discount	8.7% Discount
Implied Cap Rate	7.6%	6.3%
Look-Through Gearing	29.5%	27.5%
Non-Rental Earnings	22.4%	39.8%

The Fund continues to display enhanced value and delivers a materially higher dividend yield, versus the AREIT 300 index at ~3.9%.

The Fund remains skewed to the more traditional AREITs generating most of their earnings via rent. The traditional AREITs continue to trade at greater discounts to NTA/NAV than the AREIT sector average.

Retail remains the preferred sector, providing better risk-adjusted exposure. Retail is virtually 100% occupied, leading to ever-improving pricing power for the landlords, with a relatively low occupancy cost ratio supporting the retailer's ability to pay rent. Re-leasing spreads remain positive, albeit moderating. Capital continues to increasingly seek exposure towards retail, with transactions being struck above book value. In Alternatives, we continue to be selective, becoming more constructive on healthcare.

Office is increasingly nuanced, with the negative narrative surrounding suburban office assets increasingly deemed more structural. Tenant demand and subsequent growth continue to increase in the core CBD precincts, in the better-quality assets, close to amenity. Industrial continues to normalise from their post-pandemic highs, assisted by ongoing positive rent reversions. Demand from data-centre adjacent sectors is driving net absorption, with newer assets in demand from tenants seeking automation efficiencies.

The AREIT Fund is exposed to the residential names that deliver affordable products (including land lease). Such product is a need and has the most traction and valuation support Australia-wide. Developers continue to curate their developments to cater to this segment.

Property funds management is expected to struggle to attract flows, as investors skittishness via heightened geopolitical risks and rising interest rates is expected to manifest into a slower operating environment.

6. S&P/ASX 300 Equity Index

7. 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 a reliable indication of future performance.

Market Commentary

	September 2026 Qtr	September 2025 Yr
S&P/ASX 300 AREIT ⁹	-8.4%	-14.1%
S&P/ASX 300 ⁹	1.3%	2.4%
10-Yr Bond Yield ⁸	5.35%	4.30%
10-Yr Real Bond Yield ⁸	2.86%	1.95%
Implied Inflation	2.49%	2.35%

The AREIT 300 Index underperformed equities by 9.7% in the September quarter and by 16.5% over the 12-months.

The Australian 10-year bond yield rose ~63 bps over the quarter and over 105 bps over the rolling 12-months, finishing at 5.35%. The real bond yield rose ~45 bps over the quarter to 2.86%, implying a 2.49% long-term inflation figure, a ~15 bps increase over the quarter.

The quarterly performance was affected by the rise in bond yields globally, given the combined impacts of increased debt issuance and rising inflation. This has led to the rise in official interest rates domestically, by a further 25 bps during the quarter. The 75 bps of official interest rate rises earlier in 2026 have impacted the 12-month performance figure.

Only the office AREIT subsector delivered positive total returns during the quarter. This was driven by Dexus, which was oversold post the adverse APAC judgement in the previous quarter. Diversified AREITs, whilst negative, were the next best performers. Their performance relatively held-up due to the residential-exposed names – Mirvac and Stockland – outperforming upon releasing their FY26 results, whereby their residential sales and contracts on hand surpassed low market expectations.

Over the rolling 12-months, the retail subsector remains a material outperformer. Alternatives were the weakest over both the quarter and rolling 12-months, given Arena REITs struggles with a major private-equity owned tenant (Edge Learning) going into administration.

The sell-off in AREITs has improved the forecast growth outlook to above the long-term averages. This is predominantly offsetting the rising cost of debt headwind. The ongoing reduction in development supply is forecast to continue, as the cost to build remains largely uneconomic. Rental growth should therefore continue to remain robust, even in a slowing economic environment. This in turn this should support asset valuations, mitigating falls in valuations based on expanding capitalisation rates due to rising interest rates.

We foresee further corporate activity emerging. AREITs are trading on enhanced discounts to NTA/NAV and combined with an increased confidence that the rising interest rate cycle is close to peaking, this could see an influx of deal-making emerge. Buy-backs have increasingly become more prominent given this backdrop, with Mirvac the latest large-cap AREIT to initiate one. Buy-backs are providing the best risk-adjusted returns at current levels.

Asset Class	3M% ⁹	12M% ⁹
Industrial	-12.4	-16.2
Retail	-7.1	-7.2
Alternatives	-16.7	-26.3
Diversified	-5.7	-18.4
Office	2.5	-16.3

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

- Ingenia Communities (+10.9%);
- Mirvac (+7.6%); and
- Dexus (+6.3%).

The underperformers during the quarter were⁹:

- Centuria Capital (-34.5%);
- Arena REIT (-30.4%); and
- Cromwell (-20.0%).

The AREIT sector is priced at a dividend yield of 3.86%, which is 149 bps below the 10-year bond yield at the end of the September quarter. Excluding fund managers, which have greater exposure to non-rental income streams, the sector trades on a more attractive distribution yield of around 5.8%.

Forecast implied returns for AREITs are in the mid-teens, materially above the Fund's long-term average return. This provides an enhanced attractive entry point into the AREIT sector. Historically, as the market grows comfortable it is closer to peak rates, outperformance generally ensues for AREITs. We are nearer this point now.

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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