

ASIC Benchmarks and Disclosure Principles for the Dexus Core Property Fund

12 August 2024

Important Information

The Trust Company (RE Services) Limited (the **Responsible Entity**) (ABN 45 003 278 831 and AFSL 235150) is the responsible entity of the Dexus Core Property Fund (ARSN 114 235 326) (the **Fund**) and issuer of this document. The Responsible Entity is a wholly owned subsidiary of Perpetual Limited (ASX:PPT) (ACN 000 431 827).

Dexus Funds Management Limited ("**Dexus**") (ABN 24 060 920 783 and AFSL 238163) is the manager of the Fund and has been appointed by the Responsible Entity to provide investment management and associated services in respect of the Fund.

Unless otherwise specified, all dollar amounts in this document are Australian dollars.

This document should be read in conjunction with a current Product Disclosure Statement ("**PDS**") for the Dexus Core Property Fund.

Dexus (ASX: DXS) is a leading Australasian fully integrated real asset groups, managing a high-quality Australasian real estate and infrastructure portfolio valued at \$57.1 billion¹.

With four decades of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering returns for investors.

This active asset management approach combined with our breadth and scale supports the Fund's investment team in delivering quality investment outcomes.

Further information

For further information about the Fund's investments, including how it invests in property and the types of property it invests in, see the "Our investment approach" and "Fund profile" sections of the PDS. Key features and risks of the Fund are located in the "About the Dexus Core Property Fund" and "Risks of investing" sections of the PDS.

About this document

The Australian Securities and Investments Commission ("**ASIC**") has released benchmarks and disclosure principles to assist investors in comparing risks and returns across investments in the unlisted property sector.

The benchmarks and disclosure principles for the Fund are listed within this document, and should be read in conjunction with the current PDS for the Fund.

The "ASIC benchmarks and disclosure principles for the Dexus Core Property Fund" document (this document) will be updated regularly, or where material changes are identified.

A copy of the latest "ASIC benchmarks and disclosure principles for the Dexus Core Property Fund" and a current PDS for the Fund are available online at www.dexus.com/dcpfinvest, or can be obtained free of charge, on request.

¹ As at 31 December 2023.

Benchmark 1 - Gearing Policy

Benchmark The responsible entity of the Fund maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

The Responsible Entity and Dexus comply with Benchmark 1.

Gearing involves entering into a loan facility which may or may not be secured against the Fund's assets, enabling a property fund to acquire assets or meet short term liquidity needs.

Gearing has the effect of magnifying the Fund's returns, both positive and negative, which means that the risk of loss of capital may be greater than if gearing did not take place. Other risks associated with gearing include refinancing risk (the ability to repay the debt when it falls due) and interest rate rises.

Gearing responsibility within the Fund has been outsourced by the Responsible Entity to Dexus.

The Dexus Group Treasury Policy outlines the process for review and authorisation of debt in relation to certain funds managed or controlled by Dexus including the Fund. The Dexus Capital Markets Committee reviews and endorses all debt funding requirements for the Fund.

Gearing within the Fund is:

- managed in accordance with the Dexus Group Treasury Policy.
- restricted to a maximum of 30% of the Fund's gross asset value at the time of borrowing, and
- monitored on at least a quarterly basis.

As at 30 June 2024, Dexus complied with the Dexus Group Treasury Policy and all covenants under the loan facility.

For information on the Fund's gearing ratio, see "Disclosure principle 1 - Gearing ratio" in this document.

Benchmark 2 - Interest Cover Policy

Benchmark The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

The Responsible Entity and Dexus comply with Benchmark 2.

Interest cover measures an unlisted property trust's ability to meet interest payments on any loan facilities from its earnings, which provides an indication of the trust's financial health.

The management of the Fund's loan facility used by the Fund has been outsourced by the Responsible Entity to Dexus. Dexus manages any interest rate risk arising from the Fund's loan facility in accordance with the Dexus Group Treasury Policy.

Key risk evaluation metrics, including actual and forecasted interest cover covenant compliance, are presented to and reviewed by the Dexus Capital Markets Committee a minimum of two times per year.

As at 30 June 2024, Dexus complied with the Dexus Group Treasury Policy and all covenants under the loan facility.

For further information on the Fund's interest cover ratio, see 'Disclosure principle 2 - Interest cover ratio' in this document.

Benchmark 3 – Interest Capitalisation

Benchmark The interest expense of the Fund is not capitalised.

The Responsible Entity and Dexus comply with Benchmark 3.

As at 30 June 2024, the Fund has no drawn debt against its facility of \$20 million. Interest on this facility is not capitalised, interest obligations under the loan facility are able to be met out of the assets of the Fund.

Interest capitalisation occurs when accrued or accumulated interest is added to the loan principal instead of being paid on a regular basis. It generally applies where a fund's assets are being developed, as during development, assets may not generate any income to meet interest payment obligations under loan facilities.

The Fund's interest expense policy is to pay interest as it falls due and not to capitalise it. As at 30 June 2024, interest obligations under the loan facility are able to be met out of the assets of the Fund.

Benchmark 4 – Valuation Policy

Benchmark The responsible entity maintains and complies with a written valuation policy in relation to direct property investments that requires:

- a valuer to:
 - be registered/licensed in the relevant state, territory or overseas jurisdiction where the property is located (where a registration or licensing regime exists) or otherwise be a member of an appropriate professional body, and
 - be independent
- procedures to be followed for dealing with conflicts of interest
- rotation and diversity of valuers
- valuations to be obtained in accordance with a set timetable
- for each property, an independent valuation to be obtained:
 - before the property is purchased:
 - for a development property, on an 'as is' and 'as if complete' basis, and
 - for all other property, on an 'as is' basis, and
 - within 2 months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

The Fund does not hold direct property investments. However, the Fund invests in underlying funds that do hold direct property investments. The Fund's assets are valued in accordance with the Valuation Policy – Dexus Core Property Fund and the Fund's unit price is generally based on the valuation of the properties within the underlying funds. However, a valuation adjustment can be applied by the Fund where the value of the units in the underlying funds is thought to be an unreliable representation of market value. In these circumstances Dexus may value the units in the underlying funds at a different price to that quoted by the underlying funds.

Properties held in Dexus Wholesale Shopping Centre Fund that is managed by Dexus are valued according to the Dexus Wholesale Shopping Centre Fund Valuation Policy, External Valuation of Real Estate (Compliance Policy) and the Dexus Valuation Standards. These documents set out the methodologies used by Dexus and its appointed agents to value direct property assets of the Dexus Wholesale Shopping Centre Fund. In accordance with the policy and valuation standards, properties are valued:

- by a registered valuer, authorised under the Law of the State or Territory, or overseas jurisdiction, where the property is located (where licensing laws exist)
- by an external independent valuer with at least five years' appropriate experience, selected from an approved Valuers Panel
- by valuers that have no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the value, or that could conflict with a proper valuation of the property
- by valuers accepting instructions to value the property. The Head of Valuations and Valuations Manager are responsible for ensuring that independent valuers are properly engaged
- by valuers who are rotated every two years except under the following circumstance:
 - A property asset under development where it may be appropriate to appoint a valuer through the development period up to practical completion or stabilisation
 - A co-owned property asset where it may be appropriate to accommodate co-owner valuation requirements; or
 - As directed by the Fund Manager
- by an independent valuer at least once in each financial year (currently valuations are undertaken on a quarterly basis); and
- additional valuations may be undertaken more frequently as required.

All valuations are measured in accordance with Australian Accounting Standard (AASB) 13 Fair Value Measurements and AASB 140 Investment Property.

A copy of the Valuation Policy – Dexus Core Property Fund, Dexus Wholesale Shopping Centre Fund Valuation Policy, External Valuation of Real Estate (Compliance Policy) and the Dexus Valuation Standards can be obtained free of charge, by contacting Dexus.

Properties held in underlying funds that are not managed or controlled by Dexus are valued in accordance with the valuation policy of the underlying fund.

For the underlying funds in which the Fund invests, Dexus completes due diligence prior to investing in these funds, including due diligence on properties held by those funds, valuation analysis and assessment of the likelihood of a material change in the value of those properties.

Benchmark 5 - Related party transactions

Benchmark The Responsible Entity maintains and complies with written policies on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

The Responsible Entity and Dexus comply with Benchmark 5.

Related party transactions undertaken by the Responsible Entity are conducted in accordance with policies approved by the Responsible Entity. Related party transactions undertaken by Dexus are conducted in accordance with the Dexus Conflicts of Interest and Related Party Transactions Policy. The Responsible Entity and Dexus are not related parties.

A related party transaction is a transaction involving parties that have a close relationship with either the Responsible Entity or Dexus, for example where a fund managed or controlled by Dexus invests in other funds where Dexus is the responsible entity, trustee or investment manager; or where a fund invests in assets where other Dexus entities may have an interest, or where assets are transferred between different Dexus funds. For additional information on related party funds in which the Fund invests, please refer to www.dexus.com/dcpf.

As at 30 June 2024, the Responsible Entity complies with policies approved by the Responsible Entity. Dexus complies with the Dexus Conflicts of Interest and Related Party Transactions Policy.

For further information on related party transactions, including a summary of key elements of the relevant policies, see "Disclosure principle 5 - Related party transactions" in this document.

Benchmark 6 - Distributions

Benchmark The Fund will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

The Fund does not comply with Benchmark 6.

The Fund's policy is to distribute gross income received from its investments without deducting operating costs such as management fees and other costs. Therefore, part of the distribution may be funded from capital. Funding distributions partly from capital may increase the risk that distribution levels are not commercially sustainable over the long term.

For further information on distributions, see "Disclosure principle 6 - Distribution practices" in this document.

Disclosure Principle 1 - Gearing ratio

Gearing ratios provide an indication of the extent to which an unlisted property trust is funded by debts (liabilities). The gearing ratio for a fund is calculated by dividing the total interest-bearing liabilities by the total assets of the Fund.

Gearing ratios can affect a fund's level of risk. Generally, a higher gearing ratio indicates a higher reliance on borrowings to fund investments, for example for capital management, and this can expose a fund to increased costs in times of financial stress or if interest rates rise.

As at 30 June 2024, the gearing ratio for the Fund (based on the interest bearing liabilities and assets of the Fund in its unaudited latest financial statements) was 0%.

On a 'look through' basis, which is looking through to the underlying funds in which the Fund invests, and taking into account the interest-bearing liabilities and assets of those underlying funds (including the impact of any valuation overlays applied by Dexu), the Fund has a gearing ratio of 5.2% as at 30 June 2024. This figure is based on the unaudited financial statements of the underlying funds.

Disclosure principle 2 - Interest cover ratio

Interest cover measures an unlisted property trust's ability to meet interest payments from its earnings, which provides an indication of the trust's financial health. The lower the interest cover ratio for a trust, the higher the risk that the trust will not be able to meet its interest expenses on its loan facilities.

The interest cover ratio for a fund is calculated by dividing the fund's earnings by the interest expenses of the fund.

As at 30 June 2024, the Fund's interest cover ratio is 7.1x.

Interest relating to the underlying funds in which the Dexu Core Property Fund invests is serviced by the underlying funds and not by the Fund.

Disclosure principle 3 - Fund borrowing

The Fund may borrow to acquire assets or meet its short-term liquidity needs, including to fund redemptions.

The Fund's debt facility was refinanced as at 21 October 2022 and a new 3-year \$20 million cash advance facility maturing on 21 October 2025 has been put in place. The facility provides short term funding for acquisitions and capital management to the Fund.

As at 30 June 2024, there is no drawn debt under the cash advance facility. You should be aware that amounts owing to the lender, or other creditors, under this facility rank before the rights of investors in the Fund.

The cash advance facility of the Fund has various financial covenants which must be complied with. Key features for the cash advance facility are:

- unsecured
- the interest cover ratio for the Fund is required to be two times greater than the Fund's interest expenses
- interest expense is a combination of the base interest rate, loan margin and line fee

- maintain gearing not greater than 30% of the Fund's total assets of each quarter, and
- maintain at least \$40 million in listed real estate assets.

As at 30 June 2024, the Fund complies with all its applicable covenants. Provided the Fund complies with the terms of the facility, there are no rights for the bank to suspend or cancel the facility.

Where the Fund borrows, this may affect the Fund's returns and the value of your investment in the Fund. Risks associated with borrowing include:

- repaying part, or all, of the Fund's fixed interest rate borrowings (if any) ahead of maturity, which could result in the settlement amount of the repayment being higher or lower than the carrying value of the borrowings
- exposure to interest rate increases which may affect the cost of the Fund's borrowings, and
- inability to repay as a result of the Fund becoming illiquid.

Underlying funds in which the Fund invests

For the underlying funds in which the Fund invests, borrowing details as at 30 June 2024 are set out below. The borrowings of the underlying funds in which the Fund invests are serviced by those underlying funds and not by the Fund.

In the event of a default by an underlying fund in which the Fund invests, the relevant fund lender has no recourse to the Fund.

However, you should be aware that amounts owing to lenders and other creditors of the underlying funds rank before the Fund's interests in the underlying funds and investor's interests in the Fund.

Dexu Wholesale Shopping Centre Fund (DWSF)

- Gross asset value - \$2.78 billion (as at 30 June 2024).
- \$394 million in debt drawn under a committed debt facility of \$950 million.
- As at 30 June 2024, the fund complies with all undertakings and financial covenants relating to their debt facilities.
- The fund has interest rate hedging in place with a hedge ratio of 76.1% and weighted average term to maturity of 2.7 years, which is compliant with its Financial Risk Management Policy.

Disclosure Principle 4 - Portfolio diversification

Currently, the Fund does not invest directly into property, however underlying funds in which the Fund invests hold property directly. At times, the Fund may invest directly into property. As at 30 June 2024 the Fund holds 1.7% in cash, and may hold up to 10% in cash.

The Fund's preference is to gain exposure to direct property via underlying unlisted funds. Future investments in direct property will preferably be of a similar size, type and risk profile to those properties held within the underlying unlisted funds in which the Fund currently invests. For further information on the Fund's investment strategy and how Dexu invests in other unlisted funds, see the 'Our investment approach' and 'Fund profile' sections in the PDS. As at 30 June 2024, investments held in the underlying funds conform to the Fund's investment strategy.

Disclosure Principle 5 - Related party transactions

The Trust Company (RE Services Limited)

The Trust Company (RE Services) Limited receives a fee for acting in its capacity as responsible entity of the Fund. The Responsible Entity has not entered into any other related party transactions on behalf of the Fund nor has it engaged any related party agents.

The Responsible Entity has developed a number of policies to assess related party transactions before they are entered into as well as safeguards to ensure that these policies are adhered to at all times. A copy of the relevant policies are available on request.

These documents require the Responsible Entity:

- to act fairly, honestly and in good faith towards its clients
- where a potential conflict of interest exists, ensure that the transaction is dealt with on an arms' length basis
- to make appropriate disclosures to customers affected by a conflict of interest, where a view is formed that the conflict of interest need not or cannot be avoided
- to disclose all related party transactions in the trust's annual financial statements
- to complete a risk assessment by the relevant compliance services partner for any potential related party transaction, and
- to report any suspected breaches of these policies.

Details of any related party transactions are reported in the annual financial and directors' statements and reports provided to the Fund's investors.

The Responsible Entity is not a related party of Dexus.

The Fund has investments in other funds where Dexus is also the investment manager. The management fees charged by these underlying funds are rebated back to the Fund.

Dexus

Where Dexus enters into transactions with related parties, it operates in accordance with related party protocols and policies and standards that require Dexus to transact on terms that would be reasonable if the parties were dealing at arm's length. The Dexus Conflicts of Interest and Related Party Transactions Policy provides that where related party transactions exist, Dexus must ensure legislative requirements are met and investors' interests are protected. The policy is reviewed on a regular basis and may change from time to time.

The objective of the policy is to assist in the identification of potential or actual conflicts of interests (including in the context of related party transactions), to assess whether any particular conflict of interest is manageable or may be avoided, to adequately monitor, manage and respond to conflicts of interest, and to ensure adequate disclosure of conflicts of interests are made to clients and other relevant persons.

For further information on related party transactions, please contact Dexus.

Disclosure Principle 6 - Distribution practices

The Fund's policy is to distribute gross income received from its investments without deducting operating costs such as management fees and other costs.

You should be aware that although the Fund's objective is to pay distributions every quarter, the amount of each distribution may vary or no distribution may be paid in a quarter.

Disclosure Principle 7 - Withdrawal arrangements

Withdrawal requests are generally processed monthly according to specified withdrawal dates. Where the amount of funds available for meeting withdrawal requests is not sufficient to fully meet all withdrawal requests relating to a specified withdrawal date, withdrawal amounts will be reduced on a pro-rata basis. The unmet portion of any withdrawal request will be cancelled.

We aim to process the payment of withdrawal requests within 10 Business Days of each specified withdrawal date, however we may take up to 12 months or longer, as is allowed under the Fund's constitution to pay requests. Additionally, our ability to process withdrawals depends on the Fund continuing to be considered liquid under the Corporations Act. A change to the Fund's liquidity status, including changes to how a fund's liquidity is determined under the Corporations Act, could impact our ability to process withdrawals monthly. The unit price used to calculate your withdrawal value will generally be the price prevailing on the Business Day prior to the day we process the payment of your withdrawal (or part withdrawal), not the day you notify us of your intention to withdraw. A Business Day for us is any day other than a Saturday, Sunday or a bank or public holiday in Sydney, NSW.

See the "Accessing your money" section of the PDS for further information.

Disclosure Principle 8 - Net tangible assets

This disclosure principle has not been addressed because it is only relevant to closed end schemes and the Fund is not a closed-end scheme.

Contacting Dexus

For information about investing with Dexus, please contact us.

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