

Dexus Core Property Fund

dexus

Dexus Core Property Fund
(in wind up from termination date
of 29 November 2024)

Quarterly Report

December 2024



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Definitions

DCPF or Fund – Dexus Core Property Fund

DWSF – Dexus Wholesale Shopping Centre Fund

MWOF – Mirvac Wholesale Office Fund

Unlisted Portfolio – units held in the Dexus Wholesale Shopping Centre Fund and any unlisted real estate assets held directly by the Fund

Listed Portfolio – Core Property Fund Listed Real Estate Portfolio, a bespoke separately managed portfolio of listed real estate investment trusts and vehicles

WALE – Weighted Average Lease Expiry



Indooroopilly Shopping Centre, QLD

Fund Summary

Fund Status

Wind-up (winding up of the Fund commenced on 29 November 2024)

Termination Date

29 November 2024

APIR

Class A: AMP1015AU

Class H: AMP1074AU

Fund size

\$57.0m¹

Fund-level gearing (% of gross assets)

0.0%

Number of properties in unlisted portfolio

7

Weighted occupancy by area in Unlisted Portfolio

98.3%

Fund inception Date

Class A: 01 July 2005

Class H: 12 April 2006

Distribution frequency

Quarterly

Look-through gearing (% of gross assets)

26.6%²

Average asset value in Unlisted Portfolio

\$831.7m³

WALE for Unlisted Portfolio

3.9 years

1. Gross assets

2. Gearing at the Fund level and at the underlying Unlisted Portfolio level including impact of valuation overlays applied by the Fund.

3. 100% value of the asset.

Quarter Highlights

1. Investment performance to the commencement of the winding up of the Fund on the Termination Date:

- The Fund's Class A units delivered a total return (after fees, before tax) of 5.40% for the three month period to the Termination Date and 8.73% p.a. for the year to the Termination Date.*
- The Fund's Class H units delivered a total return (after fees, before tax) of 5.32% for the three month period to the Termination Date and 8.44% p.a. for the year to the Termination Date.*
- The Fund's Class O units delivered a total return (after fees, before tax) of 5.45% for the three month period to the Termination Date and 8.99% p.a. for the year to the Termination Date.*
- The Fund experienced positive returns during the quarter to the Termination Date, driven by the listed portfolio and solid distributions from DWSF.
- In the period from the Termination Date to 31 December 2024 the total return (after fees, before tax) has been as follows:
 - Class A: -4.77%
 - Class H: -4.80%
 - Class O: -4.74%
- The major impact to returns since the Termination Date was the application of a valuation overlay to the Fund's investment in DWSF in December 2024. The valuation overlay was applied in accordance with the Fund's valuation policy and reflects trading activity in DWSF units at a discount to the Net Asset Value (NAV) reported by DWSF. The valuation overlay impacted Fund total returns by approximately -4%.

* Past performance is not an indicator of future performance

2. Portfolio activity:

- Following a strategic review, it was identified that DCPF can no longer meet its investment objectives. Given this finding, and after careful consideration and in consultation with the investment manager of the Fund, Dexus Fund Management Limited, The Trust Company (RE Services) Limited decided as the Responsible Entity that it was in the best interests of all investors to terminate the Fund effective as at 5.00pm on the Termination Date.
- Since the Termination Date the Listed Portfolio has been realised and a distribution of the proceeds was made to investors on 20 December 2024.
- The remaining assets held in the Fund comprise of units in DWSF and cash.
- Management is preparing to sell the DWSF units via a secondary market trade. Timing will be dependent on liquidity in the market; however, management is seeking to realise the units as soon as reasonably practicable.
- Following the sale of the DWSF units, a final distribution will be made to investors.

Performance

Investment returns to the Termination Date are detailed in the tables below.

Class A units

	Current investment strategy		Blend of current and previous investment strategies ¹				
	Since inception ² (% pa)	3 mths (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception ² (% pa)
Total return – net of fees	7.40	5.40	8.73	-2.09	0.20	5.12	5.60
Total return – gross of fees	7.66	5.61	9.83	-0.99	1.24	6.12	6.58
Distribution return	1.13	1.11	3.71	3.61	3.97	4.04	4.66

In the period from the Termination Date to 31 December 2024 the total return (net of fees) was -4.77%.

Class H units

	Current investment strategy		Blend of current and previous investment strategies ¹				
	Since inception ² (% pa)	3 mths (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception ² (% pa)
Total return – net of fees	7.29	5.32	8.44	-2.40	-0.13	4.77	4.87
Total return – gross of fees	7.66	5.61	9.83	-0.99	1.24	6.12	6.26
Distribution return	1.07	1.05	3.64	3.55	3.82	3.79	4.43

In the period from the Termination Date to 31 December 2024 the total return (net of fees) was -4.80%.

Class O units

	Current investment strategy		Blend of current and previous investment strategies ¹			
	Since inception ² (% pa)	3 mths (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	Since inception ² (% pa)
Total return – net of fees	7.45	5.45	8.99	-1.84	0.46	0.52
Total return – gross of fees	7.66	5.61	9.83	-0.99	1.24	1.28
Distribution return	1.19	1.16	3.77	3.65	4.13	4.00

In the period from the Termination Date to 31 December 2024 the total return (net of fees) was -4.74%.

Past performance is not a reliable indicator of future performance. Past performance shown for the blend of current and previous investment strategies is not a reliable indicator of future performance under the current investment strategy. Returns are shown after fees, before tax and assumes distributions are reinvested. Performance shown for the Fund is annualised for periods of greater than one year.

1. The performance under the heading 'Blend of current and previous investment strategies' shows the Fund's actual performance, including as impacted by changes in the investment objective and strategy that have occurred over time. The key changes to the Fund's investment objective and strategy since the Fund's inception are as follows:

- On 1 August 2018:
 - the Fund removed its performance benchmark and moved to a benchmark-unaware investment objective.
 - the Fund changed its target asset allocation from:
 - 50% actively managed Australasian and US direct property
 - 25% indexed Australian listed property securities, and
 - 25% actively managed global listed property securities.
 to
 - 50% actively managed Australasian and US direct property; and
 - 50% actively managed Australasian and global listed property securities.
 (which incorporated a move from a partially passively managed Fund to fully actively managed Fund)
- On 12 August 2024, investment in US unlisted real estate was removed from the Fund's investment objective and strategy

2. The relevant inception dates are as follows:

- Dexus Core Property Fund Class A is 1 July 2005
- Dexus Core Property Fund Class H is 12 April 2006
- Dexus Core Property Fund Class O is 11 October 2019
- The current investment strategy of the Dexus Core Property Fund is 12 August 2024

Underlying Fund performance to the Termination Date

	3 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	10 yrs (% pa)
Dexus Wholesale Shopping Centre Fund	3.06	4.30	2.62	-0.77	3.47
Core Property Fund Listed Portfolio	6.88	24.77	1.61	4.68	N/A

Past performance is not a reliable indicator of future performance.

The returns for the underlying funds are annualised for periods of greater than one year and are before management fees and taxes.

Performance drivers

During the quarter to the Termination Date the Fund saw a positive return driven by the listed portfolio and solid distributions and positive valuation movements for DWSF. Over 12 months to the Termination Date, the Fund recorded a strong positive return, that was primarily the result of the 24.77% (before fees) return from the listed portfolio. Three to five-year returns from the Fund were negatively impacted by COVID and the subsequent escalation in inflation and interest rates that impacted commercial real estate markets globally. The Fund provided solid returns over the longer term 10 years and since inception (after fees).

In the period since the Termination Date, returns have been negative, the primary reason for which was the negative valuation overlay that was applied to the Fund's investment in DWSF in December 2024. The valuation overlay was applied in accordance with the Fund's valuation policy and reflected trades of units in DWSF at a material discount to the NAV unit price published by DWSF. The valuation overlay impacted overall Fund returns by approximately -4% in December 2024.



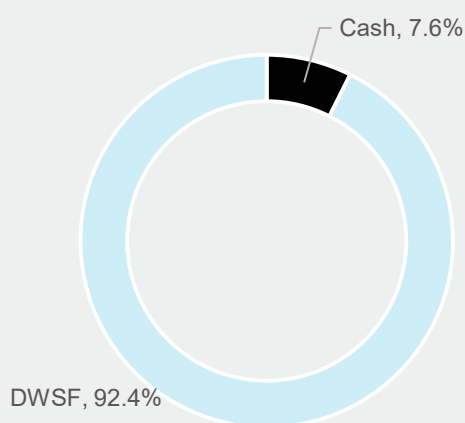
Fund Overview

Asset allocation

Asset allocation for the Fund as at 31 December 2024, is shown in the table below.

Investment	Current
Unlisted real estate (DWSF)	92.4%
Listed real estate	-
Cash	7.6%

Following the sale of the listed portfolio in December 2024 the assets of the Fund as at 31 December 2024 comprise of units in DWSF and cash as summarised in the chart below.



Debt and Gearing

As at 29 November 2024, the Fund had \$0 debt drawn on its \$20 million debt facility and had Fund-level gearing of 0.0%.

The Fund terminated its \$20 million debt facility in December 2024 following the Termination Date.

The Fund's look-through gearing as at 31 December 2024, taking into account debt and assets in the Unlisted Portfolio and valuation overlays applied at the Fund level, is 26.6%.

Market Review

Capital markets unlocking

Source: Dexus Research

Australia's GDP grew by just 0.8% in the year to Q3 2024, however the subdued growth is consistent with tight monetary policy settings that appear to be successfully reducing inflation. The next phase of the economic cycle is expected to be a period of easing interest rates and firming private sector growth.

Economic growth has been driven by public spending rather than the private sector. The business sector had a relatively weak quarter, however, the labour market remains strong, with the unemployment rate falling to 3.9% in November (albeit driven by the public sector). GDP growth is forecast to improve to 2.4% p.a. in 2025, supported by consumer spending, an improvement in residential construction and infrastructure projects.

The headline annual inflation rate fell to 2.8% in Q3 2024, down from 3.8% in Q2 2024, largely due to weaker goods inflation and electricity rebates. Services inflation remains persistent. Accordingly, the Reserve Bank held the official cash rate steady at 4.35% in December 2024, making it a year since the cash rate last changed. The market consensus forecast is that official cash rates will decline in H1 2025 (possibly as early as February) given a further easing in inflation pressures.

After a quiet period in 2023 characterised by rising interest rates and easing valuations, transaction volumes are showing signs of life. As 2024 progressed real asset capital markets began to unlock.

Real estate transaction volumes firmed by 6% in 2024 and there are further transactions in the pipeline. The office sector, which faced elevated uncertainty in 2023, saw transaction volumes 16% higher in 2024. This uptick signals improving liquidity and a growing confidence in valuations.

Foreign buyers are increasingly active in Australia. CBRE are reporting that offshore investment in real estate increased by 37% in 2024, totalling \$8.3 billion. The largest share of investors came from the United States, Japan and Singapore.

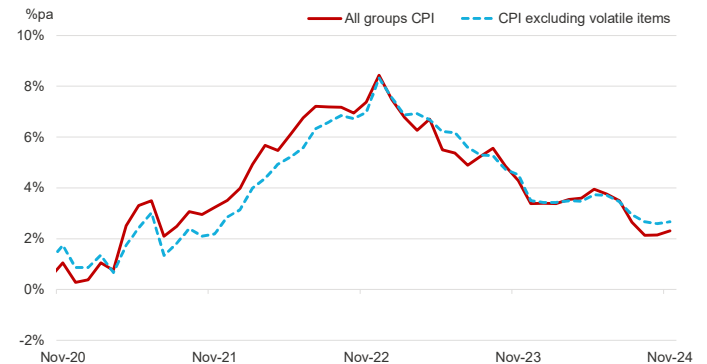
Uncertainty around interest rates is diminishing. Investors are increasingly confident that we are at the peak of the tightening cycle, with the next move more likely down this calendar year. 2025 is likely to be an even more active year for commercial real estate transactions.

Australian economic forecasts

	Dec-24	Dec-25	Dec-26
Real GDP %p.a.	1.1%	2.4%	2.7%
Employment %p.a.	2.6%	1.3%	1.6%
Unemployment %	4.0%	4.4%	4.4%
Business investment %p.a.	-1.2%	1.4%	4.1%
Dwelling investment %p.a.	2.9%	1.5%	6.5%
Population %p.a.	1.8%	1.2%	1.1%
Retail sales %p.a.	2.8%	3.0%	3.1%
CPI %p.a.	2.9%	3.4%	2.5%
Cash rate %	4.3%	3.6%	3.4%
10yr Bond %	4.5%	4.2%	4.2%

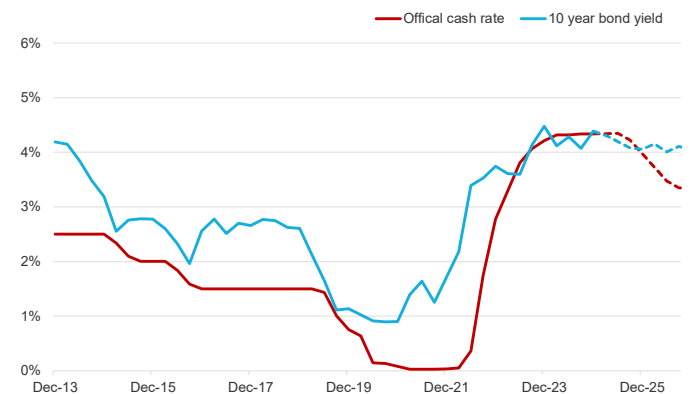
Source: Oxford Economics, December 2024

Australia's inflation rate (monthly)



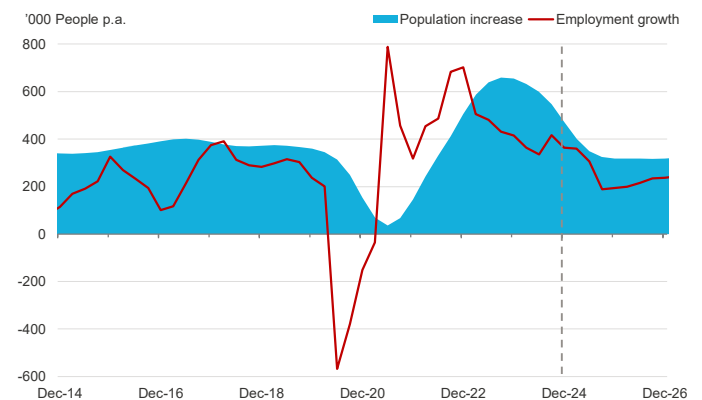
Source: ABS, Dexus Research

Australia's interest rate forecasts



Source: Bloomberg, Oxford Economics

Population and employment growth forecasts



Source: Oxford Economics

Retail indicators

Sales growth to improve through FY25

The Australian retail landscape was challenging through 2024 as the cumulative impact of interest rate hikes weighed on spending. However, over the last six months conditions have improved. Interest rates have remained stable, tax cuts boosted take home income and weaker goods inflation eased cost of living pressures to a degree.

A notable bright spot emerged during the Black Friday sales period. CommbankIQ data revealed a robust 7% increase in spending during the two weeks surrounding Black Friday compared to 2023. The strong performance in discretionary goods, which surged by 11%, was encouraging. The Black Friday trading period set new spending records across many retail assets, suggesting consumers are reshaping their spending patterns to capitalise on major promotional periods.

Total retail spending grew by 3.0% in the year to November. Among the categories, pharmaceuticals were the leading category, growing by 8.9% y-o-y. Cafes & restaurants posted a 3.6% increase. Household goods sales remain subdued reflecting weak housing construction. Both liquor sales and department stores declined by 1.2% compared to the previous year. After a post-pandemic lull, consumers are now spending more online. Online spending grew by 8.7% y-o-y.

In 2025, population growth, a major contributor to retail sales growth, is expected to remain positive, but ease from the high levels of last year. In addition, retail price inflation is expected to ease. Despite these influences, we do anticipate an increase in headline retail sales growth in 2025 due to a significant turnaround in real per capita spending (see chart). Per capita spending has been unusually negative in recent years but should return to more normal levels given falling mortgage rates, rising incomes and easing cost of living pressures.

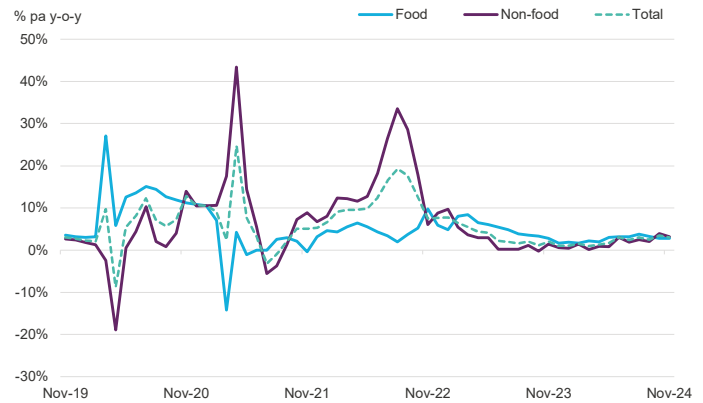
Retail's improving value proposition

The retail property sector is showing encouraging signs of recovery, outperforming other commercial real estate sectors after a challenging period in recent years. While retail unlisted funds posted a modest total return of -0.5% in the year to November 2024, they significantly outperformed the broader market's -9.0% p.a. return.

On the occupancy side, leasing demand has been resilient in the face of generally subdued spending growth. Melbourne and Sydney regional shopping centres are experiencing declining vacancy rates. Occupancy costs are below pre-pandemic levels, creating a buffer for both tenants and landlords. The lower cost base provides runway for future rental growth without putting excessive pressure on retailers.

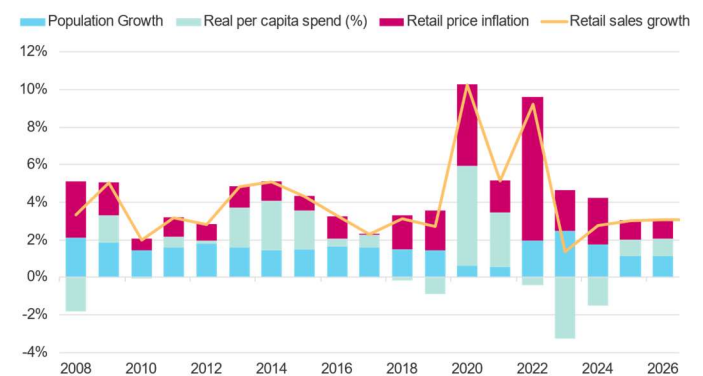
The supply side of the equation is looking particularly favourable for existing assets. Construction costs and planning restrictions are acting as natural handbrakes on new supply. Consequently, the new supply pipeline of subregional and regional space is running at just 70% of the 20-year average. There are no new regional shopping centres in development. The investment case for retail property has strengthened considerably. Yields have been more stable than other sectors, and some sub-sectors, like Sydney neighbourhood centres, are even seeing yield compression. Over the past decade a shift in shopping centre category mixes to include more services and experiences has made cash flows more secure which may be leading to a re-evaluation of risk premiums.

Discretionary vs non-discretionary spending growth



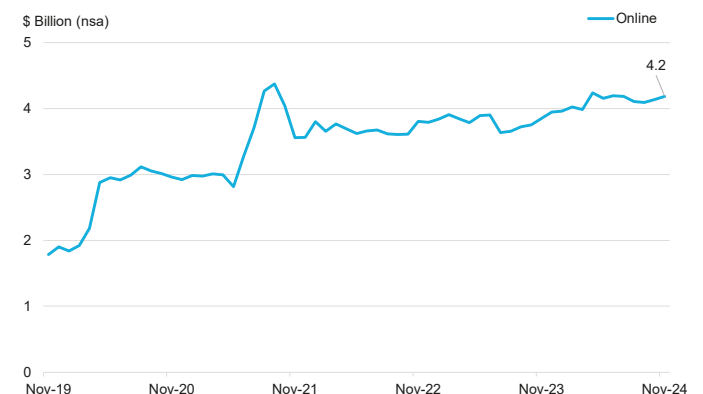
Source: ABS, Dexus Research

Components of retail sales



Source: Oxford Economics, Dexus Research

Level of ecommerce sales



Source: ABS, Dexus Research

Unlisted Portfolio

Dexus Wholesale Shopping Centre Fund

- DWSF invests in a \$2.9 billion portfolio of quality retail assets located primarily in Australian capital cities
- DWSF provides investors with exposure to a core holding of regional shopping centre assets
- 85.9% (by value) Super Regional and Regional shopping centres (Property Council of Australia classifications, reflecting size of centre and number and type of tenancies).
- High tenant occupancy rate of 98.3% (by area)
- Weighted average capitalisation rate of 5.61%
- Gearing at 31 December 2024 is 25.1%
- In early November 2024, the DWSF advised investors that the Supreme Court of NSW issued a judgement in favour of the other co-owner of the Macquarie Centre, providing the right for them to compulsorily acquire DWSF's 50% interest in the asset. After reviewing the judgment with its legal advisors, the non-executive directors of the Responsible Entity of DWSF determined that it is in the best interests of DWSF investors to file an appeal. DWSF also noted that litigation costs will not be recovered out of DWSF's assets, and the Responsible Entity intends to exercise any right it may have to recover any negative variance between the fair market value of DWSF's interest in the asset at the time any compulsory acquisition occurs and the acquisition price (\$830m).

Performance to the Termination Date

	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	10 yrs (%pa)
DWSF (before fees)	3.06	4.30	2.62	-0.77	3.47

Past performance is not a reliable indicator of future performance.

The returns for underlying funds are annualised for periods greater than one year and are before management fees and taxes.

Dexus Wholesale Shopping Centre Fund property portfolio

Property	State	Grade	Ownership (%)	Net lettable area (sqm)	Occupancy ^{1,3} %	Major tenants
Westfield Southland	VIC	Super Regional	50	129,500	98.2	Myer, David Jones, Harris Scarfe, Village Roadshow, Kmart, Big W, Target, Coles, Woolworths, ALDI
Macquarie Centre	NSW	Super Regional	50	135,500	99.3	Myer, David Jones, Kmart, Big W, Event Cinemas, Woolworths, Coles, ALDI
Indooroopilly Shopping Centre	QLD	Super Regional	25	117,500	98.9	Myer, David Jones, Event cinemas, Kmart, Target, Woolworths, Coles, ALDI
Westfield Liverpool	NSW	Major Regional	50	83,000	97.5	Myer, Kmart, Big W, Event cinemas, Coles, Woolworths
Bayfair Shopping Centre ²	NZ	Regional	50	42,600	99.9	Kmart, Farmers, Countdown, United cinemas
Ocean Keys ²	WA	Sub-Regional	100	38,500	95.9	Kmart, Coles, Aldi
Royal Randwick	NSW	Neighbourhood	100	15,000	98.2	Woolworths
				561,600	98.3	

1. By area, excluding development affected sites

2. Includes value for ancillary properties: for Bayfair Shopping Centre – Bayfair residential; and for Ocean Keys – 35 Ocean Keys Boulevard.

3. Includes Kiosks & ATM's

Listed Portfolio

The Listed Portfolio was realised in early December 2024 following the Termination Date and the proceeds were distributed to investors on 20 December 2024.

Performance to the Termination Date

	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (% pa)	10 yrs (% pa)
Listed Real Estate Portfolio (before fees)	6.88	24.77	1.61	4.68	N/A

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The returns for underlying funds are annualised for periods greater than one year and are before management fees and taxes.

Environmental, Social and Governance (ESG)

Unlisted Portfolio

Environmental and sustainability ratings for the Unlisted Portfolio are summarised in the table below.

Ratings

	Fund GRESB rating ¹ v peer group average	NABERS ^{2,3} Energy rating (stars)	NABERS ^{2,3} Water rating (stars)
Dexus Wholesale Shopping Centre Fund	90 v 90 5-star rating	4.7	2.9

1. Global Real Estate Sustainability Benchmark, 2024 results.

2. DWSF ratings are current as of 31 December 2024.

Organisational and People updates

Kirrily Lord has been appointed Executive General Manager, Retail and will join Dexus in May 2025. Kirrily brings specialist skills in portfolio, asset, development, and investment management, having previously held the role of Group Director, Customer and Asset Management at Vicinity Centres, along with senior roles at Stockland, AMP Capital, Macquarie Bank and Westfield Group. Stewart Hutcheon will continue to oversee the Retail business in the interim.

Client Services Team

Financial Advisers



Marius Wentzel
National
d: +61 4 6645 0052
e: Marius.Wentzel@dexus.com



Justin Murrhly
VIC / TAS / SA
d: +61 4 0954 2590
e: Justin.Murrhly@dexus.com



Paul Barsby
NSW / ACT
d: +61 4 1722 9409
e: Paul.Barsby@dexus.com



Ryan Lapish
VIC / QLD
d: +61 4 1246 3549
e: Ryan.Lapish@dexus.com



Robert Pellegrino
NSW/ACT
d: +61 422 795 252
e: Robert.Pellegrino@dexus.com



Emily Davis
Business Development Associate
d: +61 411 296 469
e: Emily.Davis@dexus.com

Stockbrokers and Private Wealth



Pete Burnett
Portfolio Specialist
d: +61 402 890 609
e: Pete.Burnett@dexus.com

Client Services Team

Monday to Friday
8:30am to 5:30pm (AEST)
clientservices@dexus.com

Disclaimer

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Responsible Entity
The Trust Company (RE Services) Limited

Investment Manager
Dexus Funds Management Limited
ABN 24 060 920 783
Australian Financial Services Licence Holder
(Licence Number 238163)

Registered Office
Level 30, 50 Bridge St
Sydney NSW 2000
Australia