

Dexus Asian REIT Fund

Quarterly Report

30 June 2024

Investment Objective

The primary investment return objectives of the Fund are to:

- Provide investors with a consistent and relatively high level of income compared to the GPR APREA Composite REIT Asia Index (in AUD) (GPR), combined with some capital growth, derived predominantly from investing in Asian REITs
- Deliver a gross annual income yield (before management fees, expenses and taxes) that equates to at least 110% of the average yield of the GPR APREA Composite REIT Asia Index (in AUD) (GPR)
- Provide a level of capital growth over a 5-7 year time horizon
- Provide lower than market volatility¹

Benefits

- Focus on generating sustainable, regular and relatively high income returns through investing in listed property securities
- Access to an underlying diversified portfolio of thousands of quality commercial real estate assets predominantly located in Asia Pacific
- 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)

Fund Facts	
Fund type	Property securities fund
Commencement date	19 July 2011
Fund size	\$22.01m as at 30 June 2024
Investment timeframe	5-7 years
Minimum investment	\$1000
Minimum additional amount	\$500 (\$100 per month with regular savings plan)
Income distribution	Monthly generally payable within 10 business days ²
Unit pricing	Daily
Management fees and costs	0.98% pa of NAV (see section 6 of the PDS for details)
Buy/sell spread	0.15% buy and 0.15% sell

Performance – Dexus Asian REIT Fund

	3 months %	6 months %	1 year %	3 years % (pa)	5 years % (pa)	10 years % (pa)	Since inception % (pa)
Income ³	1.84	3.37	6.37	5.93	5.78	6.40	5.89
Total return (after fees)⁴	(8.69)	(12.64)	(12.93)	(8.09)	(4.51)	4.60	6.90

1. The Dexus Asian REIT Fund aims to provide lower than market volatility compared with the GPR APREA Composite REIT Asia Index (in AUD) (GPR), over a 5-7 year time horizon.
2. Past performance is not an indicator of future performance.
3. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not an indication of future performance
4. 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 July 2011

Fund Commentary

To the end of 30 June 2024, the Dexu Asian REIT Fund offers a relatively high 8.82%⁶ annualised distribution yield vs. the Asian REIT index yield of 6.06% p.a.

The Dexu Asian REIT Fund (the Fund) returned -8.69%⁵ over the June quarter, outperforming the Asian REIT Index (the Index) by 30bps⁵. Over the rolling one year, the Fund returned -12.93%, primarily driven by weaker demand in China following its property crisis, concerns over slower rental growth in Singapore and BoJ's changing attitude on rate hikes. During the same period, the Index returned -11.52%, outperforming the Fund by 141bps⁵.

The Fund's limited exposure to Japanese offices contributed to the outperformance. Our zero weight to two major Japanese office owners Nippon Building Fund and Japan Real Estate were key contributors during the quarter. Other contributor is our overweight to Keppel DC REIT, a data that saw improved earning following a successful divestment. Detractors of the quarter was overweight to Japanese diversified landlords including United Urban and Activia Properties, as well as other specialized REITs such as Japan Hotel and LaSalle Logiport, which all experienced price dip on the monetary policy of the Bank of Japan (BoJ).

Over the quarter, Japan's 10-year bond yield hits decade high amid expectations that the BoJ is committed to normalizing interest rates and cutting bond-purchase amounts. Meanwhile, the Federal Reserve have sent the strongest signals yet that they are preparing to cut interest rates. Against this backdrop, the Fund focus will be on sectors and regions that benefit from the rate movements, as well as minimize exposure to the geopolitical risk such as US-China tensions and upcoming elections.

Market Commentary⁷

During June quarter, the Asian REIT index returned -8.81%, underperforming the broader Asian equities market that returned 0.36%, both in AUD terms.

The key country returns within the Asian region over the June quarter and past year (in AUD) were as follows:

Country	Jun Qtr	1 Year
Hong Kong	-6.81%	-25.66%
Japan	-10.85%	-13.20%
Singapore	-7.19%	-6.91%

Japanese REITs rebounded after BoJ ended its negative rate policy in March with a dovish approach, but subsequently underwent a correction by -10.85% in return during the June quarter when long-term interest rates moved higher coupled with supply demand dynamics which led to the lack of investor interest in Japanese REITs.

After slumping 25.66% over a one-year period, Hong Kong REITs was the best performer over June quarter among the three regions but still saw a negative return of -6.81% as retail sales in the city continued to shrink by double digits while office rents and vacancy saw no improvements.

In the light of the risk-off environment and limited positive catalysts, Singapore REITs returned -7.19% during the quarter and -6.91% over the past 12 months. Concerns over modest office rental growth and declining visitor arrivals will continue to cloud Singapore REITs but the solid economic fundamentals will cushion the impact and support the REIT market especially the retail landlords.

Looking forward, the Fund will continue to invest into those Asian regions, sectors and individual REITs whose underlying fundamentals present the best relative prospects for sustained rental, earnings and valuation growth.

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 July 2011
6. Based on Fund ex-buy price as at 30/06/2024. Current running yield as at 30/06/2024 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.
7. Past performance is not an indicator of future performance.

Asia 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, Global and Asian 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.



Vanessa Ng

Vanessa joined Dexus Real Estate Securities team in 2023 and is tasked with securities analysis across Asian-Pacific region.

Before joining Dexus, Vanessa was a senior analyst at Link REIT in Hong Kong, a research executive for Chanel's retail development team across Asia and a senior analyst for Colliers focusing on China.

Vanessa holds a Master in Property from the University of Adelaide and a Bachelor of Business Administration from the Chinese University of Hong Kong.

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