

Out of the Ordinary®

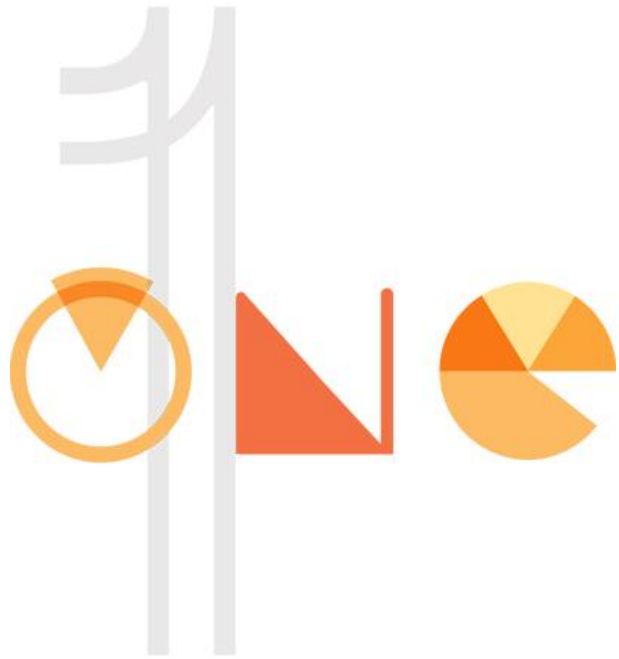


Investec Australia Property Fund FY2014 Preliminary Results Presentation

22 May 2014



Out of the Ordinary®



Highlights and Overview



Highlights for the period under review



- ▶ Listed on JSE Main Board on 23 October 2014 – **first inward listed Australian REIT on the JSE**
- ▶ Total ZAR **return to unitholders of 26%** within 6 months of listing*
- ▶ 67% of listing capital deployed – **announced acquisitions of AUD 46.8mn****
- ▶ Maiden distribution of **3.42 cents exceeds forecast** in pre-listing statement
- ▶ **Low gearing of 14%** providing headroom for growth
- ▶ Core portfolio underpinned by **strong property fundamentals**
- ▶ Favourable interest rate environment – all in fixed **cost of funding 4.69%**
- ▶ **Accretive** acquisition pipeline
- ▶ Well placed to deliver on the Fund's objective of **delivering long term capital and income growth to unitholders**

*Assumes exchange rate of R9.76 / A\$1 as at 31 March 2014; constant currency total return of 22%

**Includes 186 Reed Street, Greenway acquisition announced on 15 May 2014

Note: all amounts in Australian Dollars unless stated otherwise

Fund snapshot at 31 March 2014

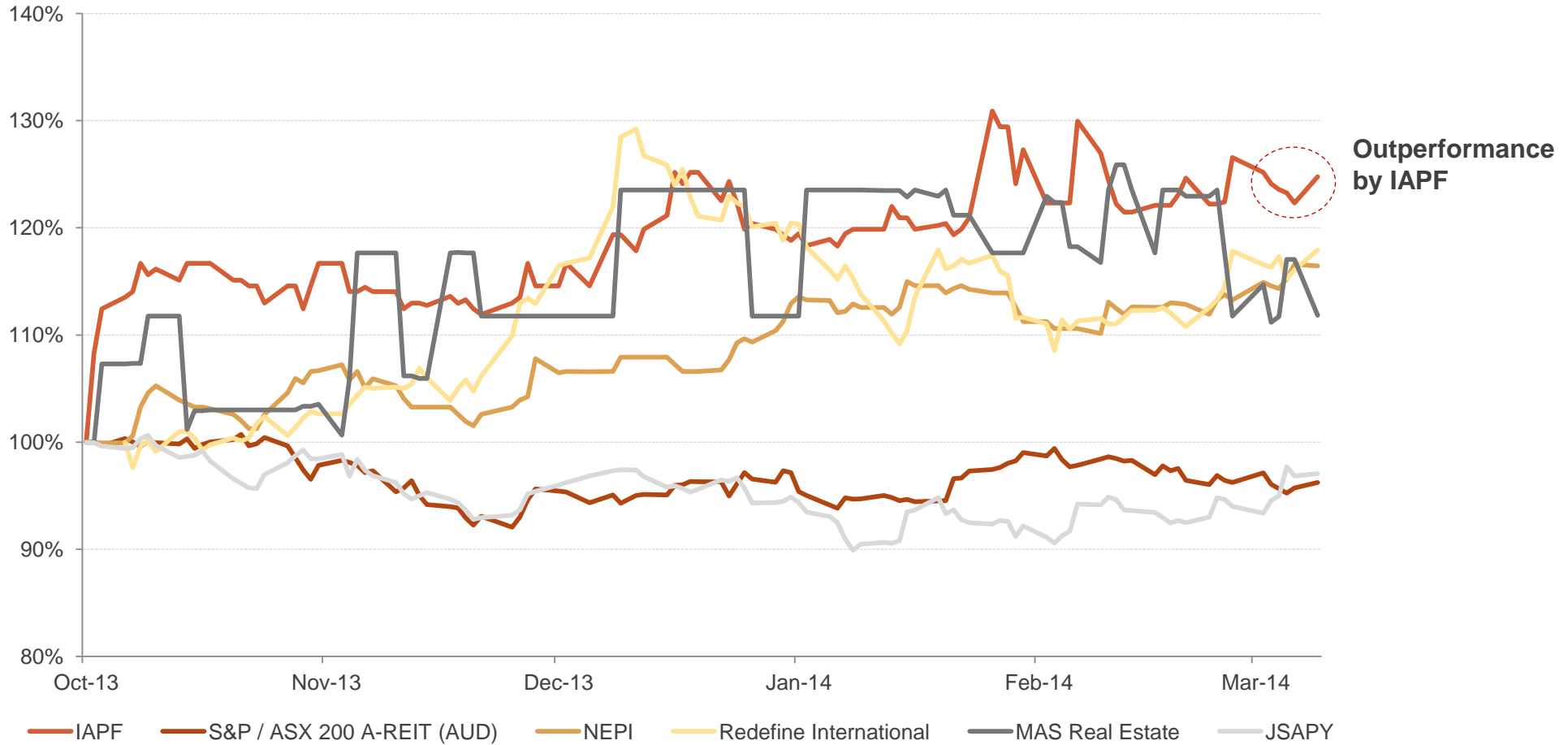


Market capitalisation	R1,584bn / AUD 162.3mn
Number of properties	9 (6 industrial + 3 office)
Asset value	AUD 161mn
Unit price	R11.76
Premium to NAV	24.3%
Distribution yield	7.6% pre-WHT / 7.1% post-WHT*
Gearing	14.4% at year end / 26.8% currently

**Exceeds PLS forecast of 7.4% pre-withholding tax (7.0% post-withholding tax)*

Share price performance (from listing – 31 March 2014)

IAPF vs. Australian REIT Index, JSAPY and SA inward listed peers



Macro trends



Pricing and yields	Investor driven market <ul style="list-style-type: none">• Increased capital flow into real estate markets<ul style="list-style-type: none">– Driven by superannuation funds, sovereign wealth funds and high net worth individuals• Increased demand for assets in selected markets<ul style="list-style-type: none">– Increased spread between prime and secondary markets• Cap rate compression due to investor driven demand• Limited supply• Low interest rates<ul style="list-style-type: none">– Allowing for accretive investments
Interest rates - consensus view	<ul style="list-style-type: none">• Rates to remain low for foreseeable future• No rate rises until at least 2H 2015

Office and industrial markets



2013 National trends (change 2012 to 2013)

	Transaction volumes (%)	Capital values (%)	Yields (bp)	Rents (%)	Vacancy (bp)
Office	27.5	3.5	-14	-5.8	277
Retail (regional centres)	8.9*	2.3	-17	-0.4	26
Industrial	28.5	2.2	-18	-0.5	108
Hotels	57.7	6.9#	53	4.6#	-180

*Total retail market

#Sydney

Source: Jones Lang LaSalle Research

Office market	<ul style="list-style-type: none"> • Through the worst of the challenging demand conditions • Tenants using the current cycle to upgrade • Encouraging signs from global indicators • Australian financial services sector set to benefit from regional strength
Industrial market	<ul style="list-style-type: none"> • National prime vacancy remains low • Lead indicators for demand improving • Demand driven by consolidation and efficiencies e.g. retail and logistics
Retail market	<ul style="list-style-type: none"> • Dominated by a few big owners / landlords • Limited transaction volumes in quality assets • Subdued retail trading conditions and growth forecasts persist • Yet still trading at tighter yields than office and industrial

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Property Information



Quality core portfolio



44 Sawmill Circuit



47 Sawmill Circuit



57 Sawmill Circuit



24 Sawmill Circuit

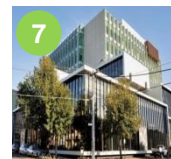


2-8 Mirage Road

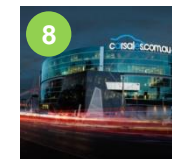


48 Hawkins Crescent

Industrial
AUD\$49.1mn

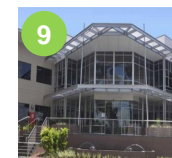


Elizabeth Street



Punt Road

Office
AUD105.3mn



2404 Logan Road

- Core portfolio underpinned by strong property fundamentals:

- AUD 154.4mn
- GLA 54,249m²
- 7.3 year WALE
- 0.5% vacancy
- 3.5% escalations

Industrial portfolio



Property	48 Hawkins Crescent
GLA (m ²)	2,045
Valuation (AUD)	3,560,000
Capitalisation rate	8.00%
Escalation	3.00%
Occupancy	100%
WALE	5.4yrs + 2yr vendor guarantee

Property	47 Sawmill Circuit
GLA (m ²)	5,535
Valuation (AUD)	9,600,000
Capitalisation rate	7.50%
Escalation	3.50%
Occupancy	100%
WALE	12.4 yrs

Property	57 Sawmill Circuit
GLA (m ²)	7,079
Valuation (AUD)	8,750,000
Capitalisation rate	8.00%
Escalation	3.50%
Occupancy	100%
WALE	2.4yrs + 2yr vendor guarantee



Property	24 Sawmill Circuit
GLA (m ²)	6,300
Valuation (AUD)	9,000,000
Capitalisation rate	8.00%
Escalation	3.50%
Occupancy	100%
WALE	3.7yrs + 2yr vendor guarantee

Property	44 Sawmill Circuit
GLA (m ²)	4,639
Valuation (AUD)	9,100,000
Capitalisation rate	9.00%
Escalation	3.50%
Occupancy	100%
WALE	8.6 yrs

Property	2-8 Mirage Road
GLA (m ²)	6,783
Valuation (AUD)	9,100,000
Capitalisation rate	9.00%
Escalation	3.50%
Occupancy	100%
WALE	8.5 yrs

Office portfolio



Property	Punt Road	Elizabeth Street
GLA (m ²)	6,383	11,917
Valuation (AUD)	29,800,000	54,500,000
Capitalisation rate	8.75%	8.50%
Escalation	3.26%	3.25%
Occupancy	100%	97.6% + income support
WALE	5.5yrs	6.1yrs

- No vacancies in the Fund's portfolio (after taking into account income supports)
- All properties independently valued at year end
- Valuation uplifts recorded across the property portfolio

Completed acquisitions



Building 20, 2404 Logan Road

Major tenant | Healthscope,
Medicare Local



Location	Building 20, 2404 Logan Road, Eight Mile Plains QLD 4112
NLA (m ²)	3,568
WALE (by GLA)	6.2 years
Purchase price (AUD'000)	20,953
Purchase yield	8.25%

Australia Property Fund



Completed acquisitions (post year end)



186 Reed Street

Major tenant | Department of Human Services



Location	186 Reed Street South, Greenway, Canberra, Australian Capital Territory
NLA (m ²)	5,403
WALE (by GLA)	9.0 years
Purchase price (AUD'000)	25,805
Purchase yield	7.84%

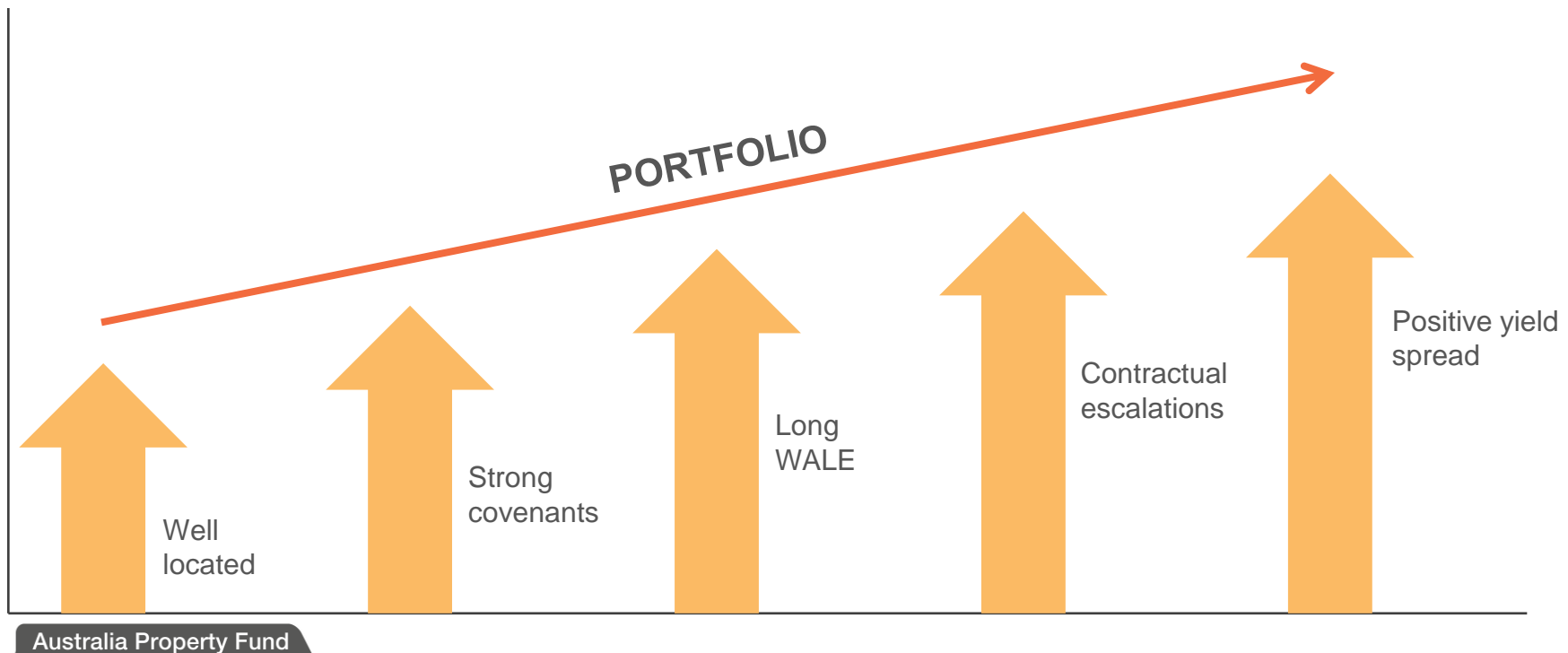
Australia Property Fund



Pipeline



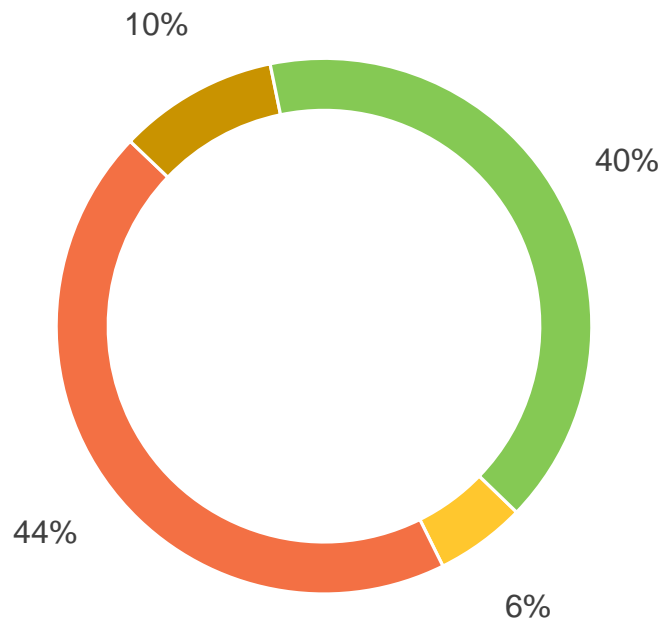
- The Fund has an attractive pipeline of quality properties consisting of both off- and on-market opportunities accessed through the Fund's network
- These properties will further contribute to the core portfolio quality supported by strong real estate fundamentals



Geographic spread

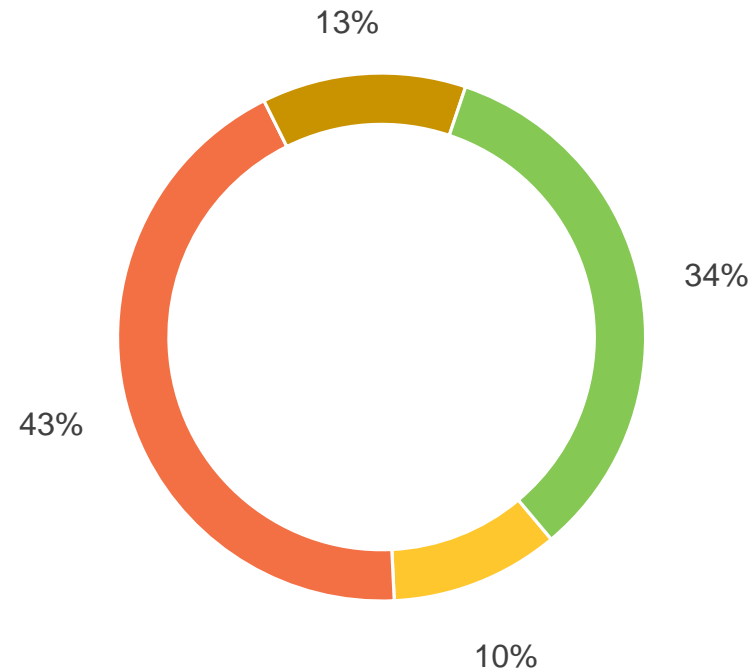


Geographic spread by revenue



■ QLD ■ ACT ■ SA ■ VIC

Geographic spread by GLA

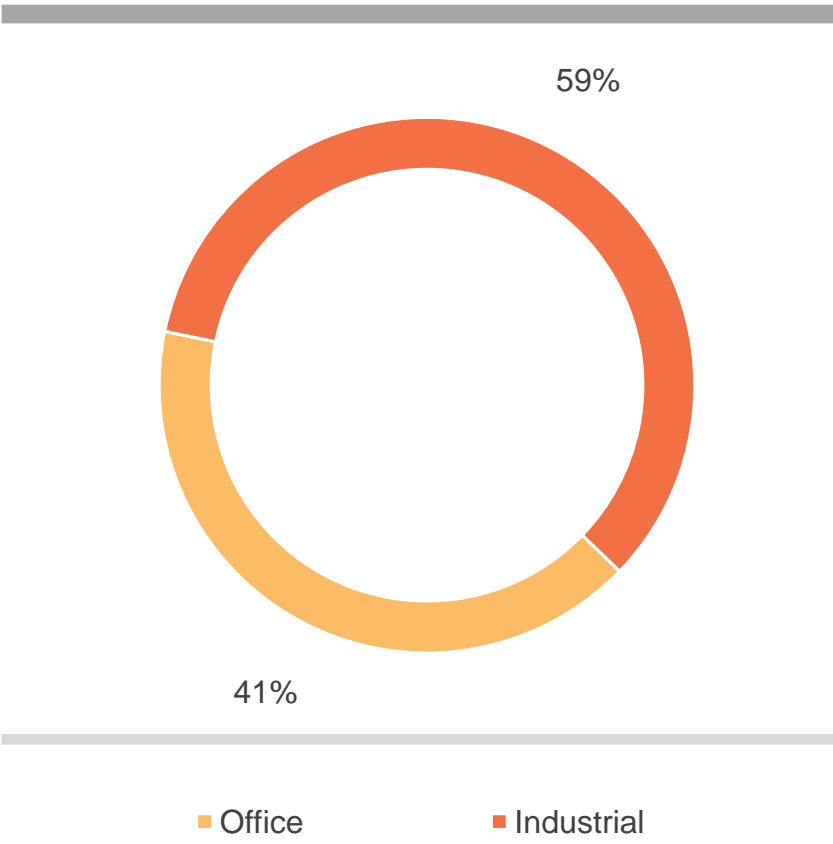


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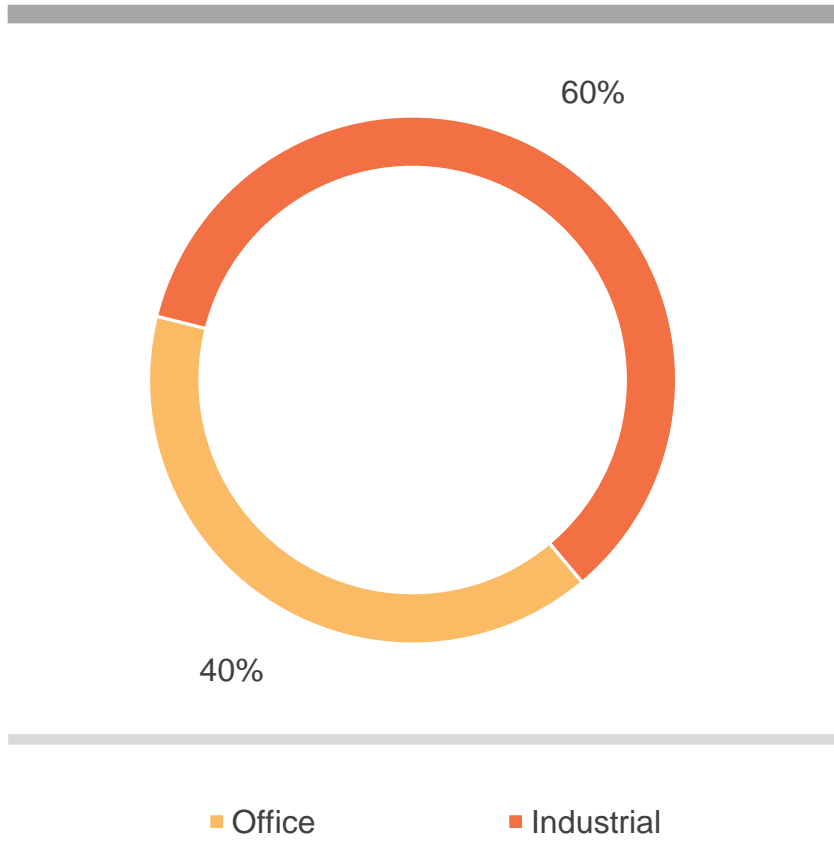
Sectoral spread



Sectoral spread by revenue



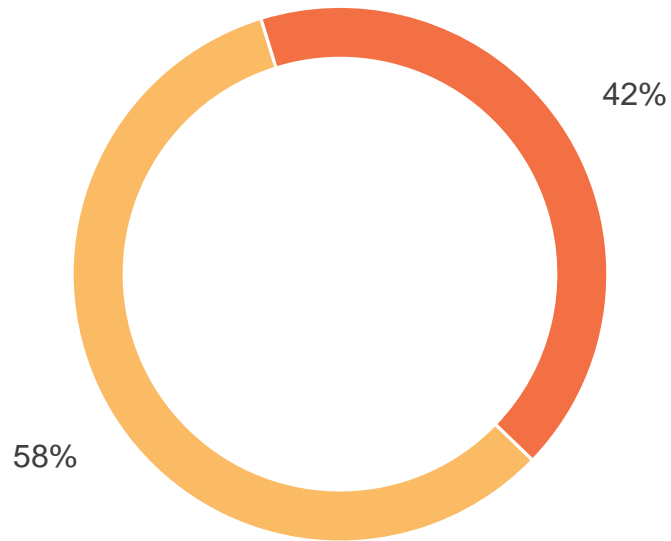
Sectoral spread by GLA



Single vs. multi-tenanted

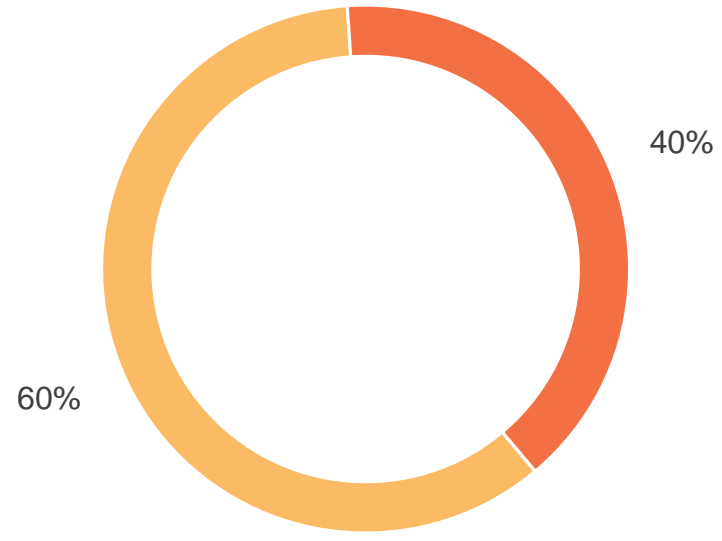


Single vs. multi-tenanted by revenue



■ Single-tenanted ■ Multi-tenanted

Single vs. multi-tenanted by GLA

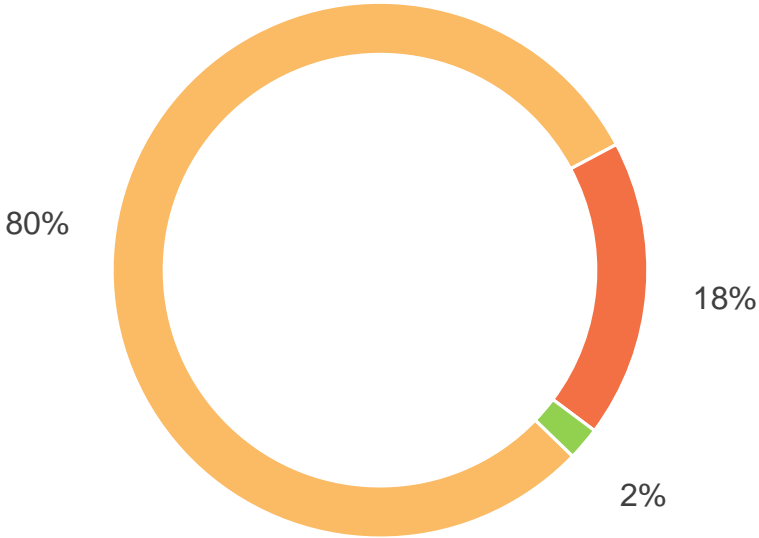
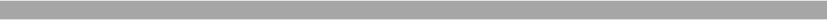


■ Single-tenanted ■ Multi-tenanted

Tenant profile

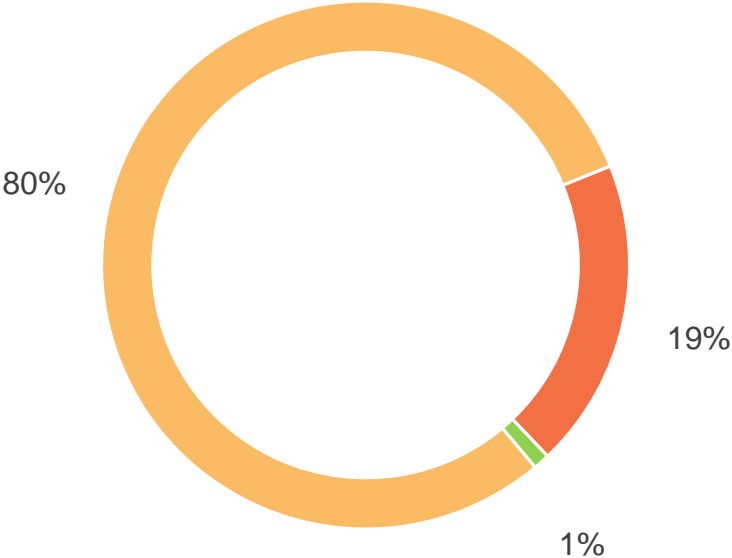
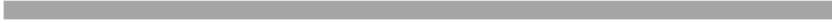


Tenant rating by revenue



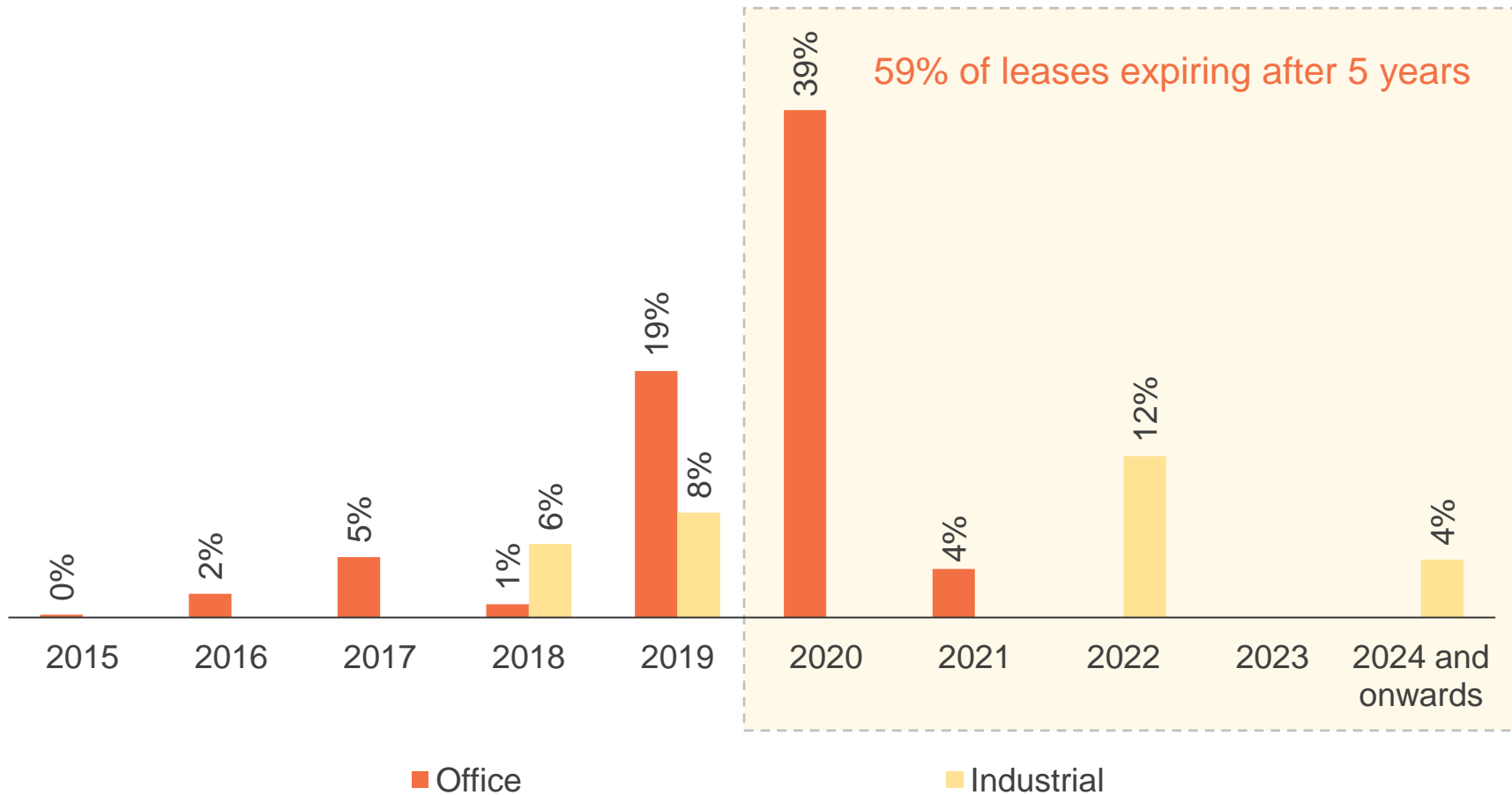
A-grade B-grade C-grade

Tenant rating by GLA



A-grade B-grade C-grade

Lease expiry profile by sector*



*Includes income support arrangements

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Financial Review



Simplified income statement



For the period 12 December 2012 to 31 March 2014

	AUD'000
Net property income	9,682
Fair value adjustments - investment property	(18)
Other operating expenses	(502)
Asset management fee	(439)
Net finance costs	(1,230)
Profit for the period	7,493
Distribution per unit (pre withholding tax) (cents)	3.42
Distribution per unit (post withholding tax) (cents)	3.20
Annualised distribution yield (pre withholding tax)	7.6%
Annualised distribution yield (post withholding tax)	7.1%

Distribution reconciliation



For the period 12 December 2012 to 31 March 2014

PLS

	AUD'000	PLS
Profit for the period	7,493	
Less: Straight-line rental revenue adjustment	(1,051)	
Add: Fair value adjustments	18	
Distributable earnings	6,460	
Less: Pre listing distribution	(1,858)	
Final distribution for the period (pre withholding tax)	4,602	
Withholding tax (to be paid to the Australian Taxation Office)	(290)	
Final distribution for the period (post withholding tax)	4,312	
Units in issue ('000)	134,685	
Distribution per unit (pre withholding tax) (cents)	3.42	
Distribution per unit (post withholding tax) (cents)	3.20	
Annualised distribution yield (pre withholding tax)	7.6%	7.4%
Annualised distribution yield (post withholding tax)	7.1%	7.0%

Balance sheet



31 March 2014

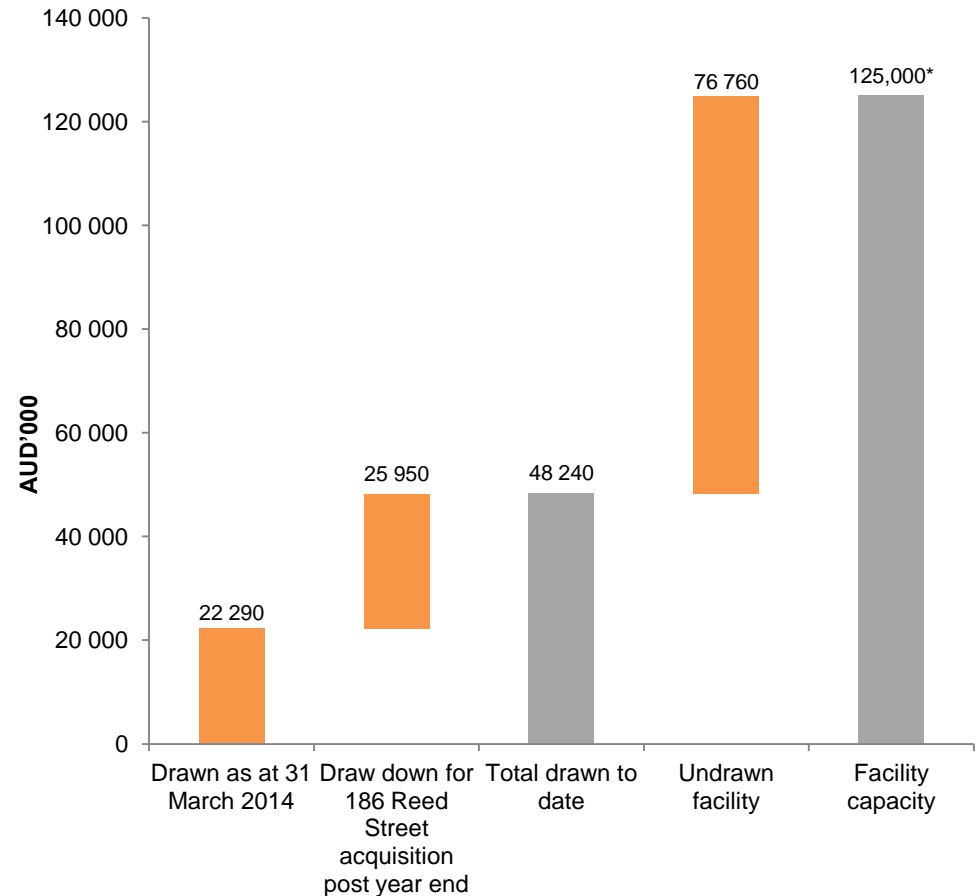
	AUD'000
Assets	
Investment property	154,364
Cash and cash equivalents	6,370
Other assets	304
Total assets	161,038
Equity and liabilities	
Unitholders interests	132,058
Borrowings	22,185
Other liabilities	6,795
Total equity and liabilities	161,038

- Low gearing – 14.4% at year end. Currently 26.8%. Significant headroom to pursue acquisitions

Debt facility



	One of Australia's largest banks
Capacity	up to AUD 125,000,000
Term	3 years
Pricing	BBSW + 150 bps
Hedging	At least 75% of interest rate exposure will be hedged Currently 100%
All in cost of funding	4.69% fully hedged for 3 years



*Subject to financier approval; facility limit is currently AUD48m

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Conclusion and prospects



Conclusion and prospects



- Strength of the core portfolio positions the Fund to deliver secure growth
- Focus on real estate fundamentals
- Continue to access opportunities to acquire quality properties through Investec network
- Take advantage of low interest rate environment with efficient capital and interest rate management
- Lock in “positive spread”
- The Fund is expected to perform in line with forecasts outlined in the pre-listing statement

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Thank you



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