

INVESTEC AUSTRALIA PROPERTY FUND

Incorporated and registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered in terms of the Collective Investment Schemes Control Act No.45 of 2003
Operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) ("**Responsible Entity**")
Share code: IAP
ISIN: AU60INL00018
("**IAPF**" or the "**Fund**")

ACQUISITION OF NEW PROPERTY

1. ACQUISITION OF NEW PROPERTY

1.1. Acquisition

Unitholders are advised that the Fund has entered into a contract for sale with SAS Trustee Corporation to acquire the property located at 66 Glendenning Road, Glendenning NSW 2761 (**Property**).

The effective date of the acquisition of the Property is the settlement date under the contract for sale, which is scheduled for 30 April 2015.

There are no conditions precedent to the acquisition of the Property.

1.2. Purchase consideration

The purchase consideration is AUD 19,170,000 which represents an annualised property yield of 7.66% (7.21% post all transaction costs).

The purchase consideration and all transaction costs will be funded through the existing debt facility with Westpac Banking Corporation. The Fund's gearing post the acquisition of the Property will be 29%.

1.3. Rationale for acquisition of the Property

The acquisition of the Property is consistent with the Fund's strategy of investing in well located, high quality assets. The Responsible Entity is actively seeking opportunities to grow and diversify the Fund's asset base, enhance unitholder value and contribute to sustainable income growth. The acquisition of the Property represents an attractive investment for the Fund for the following reasons:

- (a) the Property is located 35 kilometres north west of the Sydney CBD in one of Sydney's most established industrial precincts which is home to tenants such as Wesfarmers, One Steel, BHP, Holcim, Khumo Tyres, Fletcher Building and Greens Foods;
- (b) the Property is conveniently located in close proximity to the M7 motorway which connects the M4 and M5 motorways, the main arterial roads connecting central Sydney to the western and south western suburbs, and is easily accessible from the Port of Sydney, Sydney Airport and the Sydney CBD;
- (c) the Property comprises a freestanding warehouse facility and adjoining office that was constructed in 1988 and recently refurbished to a high quality;
- (d) the total site area of the Property is 29,310m² with a total GLA of 16,461m²;
- (e) the Property is 100% leased to McAlpine Hussmann Pty Ltd, a manufacturer of bespoke refrigeration display cases for the commercial refrigeration market, servicing customers such as Woolworths, Coles and IGA;
- (f) the tenant has been operating in Australia, New Zealand and the Pacific Region for over 75 years and employs over 450 people in Australasia;

- (g) the annual rent at the Property is AUD 90 per m², which is at market and compares favourably to rents in other established industrial precincts in western Sydney;
- (h) the lease expiry is 4.6 years and contracted annual rental growth is 3.0%;
- (i) it is accretive based on the positive spread between the property yield and funding costs of 4.15%; and
- (j) the Property is the seventh acquisition for the Fund since the rights offer in October 2014, equating to total investment of AUD 176,800,000.

1.4. Specific information relating to the Property

Registered description	Lot 1 in Deposited Plan 1110984
Title	Freehold
Sector	Industrial
Location	35 km north west of the Sydney CBD
Year built	1988
Site area	29,310m ²
GLA	16,461m ²
Car parks	130
Rent per m ²	AUD 90
Vacancy	0%

The Property has been valued at AUD 19,170,000 effective as at 28 April 2015 by CBRE Valuations Pty Limited (ACN 008 912 641). The valuer, Robert Anderson, is an independent valuer and is an Associate of the Australian Property Institute (Certified Practising Valuer No. 6725).

1.5. Forecast information on the acquisition of the Property

The forecasts have been prepared with effect from 1 May 2015 and include forecast results for the years ending 31 March 2016 and 31 March 2017.

The forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the board of directors of the Responsible Entity. The forecasts have not been reviewed or reported on by the independent reporting accountants.

The forecasts presented in the table below have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS.

	Forecast 11 months ending 31 March 2016 AUD'000	Forecast 12 months ending 31 March 2017 AUD'000
Revenue, including straight line adjustment	1,733	1,899
Total property expenses	(295)	(331)
Net property income	1,438	1,568
Fund management fees	(112)	(122)
Fund operating costs	(35)	(38)
Net operating income before finance charges	1,291	1,408
Finance costs	(774)	(844)
Net profit attributable to equity holders	517	563
Less: straight line revenue adjustment	(73)	(36)
Distributable income pre-withholding tax	444	527
Distributable income post-withholding tax	427	507

Notes:

1. All revenue for the reporting periods shown is contracted and is based on the leases in place at 1 May 2015.
2. Distributions payable to unitholders attributable to the acquisition of the Property are largely shielded from withholding tax in Australia as a result of interest expense on debt funding and depreciation allowances on the Property.
3. Material expenditure items relate to the Fund management fees (approximately 25% of total expenses).
4. No material expenditure items have been increased in the forecast period ending 31 March 2017 by more than 15% over the previous financial period.
5. The finance costs reflect an all in cost of funds of 4.15% with 100% of the cost of funds fixed via interest rate swaps for 5 years.

1.6. Categorisation

The acquisition of the Property is a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by unitholders.

Johannesburg
23 April 2015

Investment Bank and Sponsor
Investec Bank Limited