

## **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**")

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### **ACQUISITION OF NEW PROPERTY FOR AUD 26,000,000**

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#### **1. ACQUISITION OF NEW PROPERTY**

##### **1.1. Acquisition**

Unitholders are advised that the Fund has entered into a contract for sale with CTI Freight Systems Pty Limited to acquire the property located at 54 Miguel Road, Bibra Lake, Western Australia (**Property**).

The effective date of the acquisition of the Property is the settlement date under the contract for sale, which is scheduled for 16 October 2015.

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

##### **1.2. Purchase consideration**

The purchase consideration is AUD 26,000,000 which represents an annualised property yield of 7.94% (7.51% 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 37%.

##### **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 in the premier industrial precinct south of the Perth CBD which is home to tenants such as Bidvest Logistics, Sims Metals and Masters Home Improvement;
- (b) the Property is conveniently located in close proximity to the Kwinana Freeway, the main north / south access road connecting to the Perth CBD, the Roe Highway, that provides direct access to Perth airport, and to the Port of Fremantle;
- (c) the Property is 100% leased to CTI Freight Systems Pty Limited, a wholly-owned subsidiary of ASX-listed transport logistics and business services specialist CTI Logistics Limited;
- (d) CTI Logistics Limited has provided an all obligations guarantee under the lease;
- (e) the annual rent at the Property is AUD 92 per m<sup>2</sup> which is at market;
- (f) the lease term is 12 years and contracted annual rental growth is the greater of 3% and CPI; and
- (g) it is accretive based on the positive spread between the property yield and the Fund's all in cost of funding of 4.02%.

#### 1.4. Specific information relating to the Property

Registered description	Lot 157 on Plan 17235 Certificate of Title Volume 1923 Folio 106
Title	Freehold
Sector	Industrial
Location	21 km south of the Perth CBD
Year built	Between 1992 and 2008
Site area	40,824m <sup>2</sup>
GLA	22,358m <sup>2</sup>
Rent per m <sup>2</sup>	AUD 92
Vacancy	0%

The Property has been valued at AUD 26,000,000 effective as at 2 September 2015 by Knight Frank Australia Pty Ltd (ACN 004 973 684). The valuer, Andrew Steed, is an independent valuer and is an Associate of the Australian Property Institute and a Certified Practising Valuer (registration no.44704).

#### 1.5. Forecast information on the acquisition of the Property

The forecasts have been prepared with effect from 1 November 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 relate to the Property only and have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS.

	Forecast 5 months ending 31 March 2016 AUD'000	Forecast 12 months ending 31 March 2017 AUD'000
Revenue (including straight line revenue adjustment)	1,018	2,442
Total property expenses	(43)	(105)
Net property income	975	2,337
Fund management fees	(65)	(156)
Net operating income before finance charges	910	2,181
Finance costs	(460)	(1,105)
Net profit attributable to equity holders	449	1,077
Less: straight line revenue adjustment	(157)	(346)
Distributable income pre-withholding tax	292	730
Distributable income post-withholding tax	269	669

#### Notes:

1. All revenue for the reporting periods shown is contracted and is based on the leases in place at 1 November 2015.
2. Distributions are payable to unitholders attributable to the acquisition of the Property and are partially shielded by depreciation allowances.
3. Material expenditure items relate to the Fund management fees (approximately 60% 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 assume an all in cost of funds of 4.02% with 82% of the cost of funds fixed via interest rate swaps for 5 and 7 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  
15 October 2015

Investment Bank and Sponsor  
Investec Bank Limited