

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 B.G.S. Nominees Pty Ltd (ACN 010 055 268) ("**Vendor**") to acquire the property located at 30-48 Kellar Street, Berrinba QLD 4117 ("**Property**") (the "**Acquisition**").

The effective date of the Acquisition is the settlement date under the contract for sale, which is scheduled for 31 October 2014.

There are no conditions precedent to the Acquisition.

1.2. Purchase consideration

The purchase consideration is AUD 8,200,000 which represents an annualised property yield of 8.34% (7.77% post all transaction costs) based on the net passing income.

The purchase consideration and all transaction costs will be funded through the existing debt facility with Westpac Banking Corporation. The Responsible Entity has hedged 100% of the debt at an all in rate of 4.70% consistent with the Fund's stated hedging policy.

1.3. Rationale for the Acquisition

The Acquisition 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 represents an attractive investment for the Fund as:

- (a) it is accretive based on the positive spread between the property yield and funding costs;
- (b) the income is underpinned by a lease to H.J. Langdon & Co Pty Ltd, one of Australia's oldest private companies, with contracted annual growth of 3.15%;
- (c) the lease expires in November 2019 with two further four year options;
- (d) the Property is in excellent condition having been constructed in 2011; and
- (e) there is substantial depreciation which will provide a tax shield on distributions payable to unitholders.

The Property occupies a site area of 8,544m², which is improved with a purpose-built freestanding office/warehouse facility with 4,070m² of GLA. The Property was constructed in 2011 and includes 3,870m² of warehouse (including a 490m² temperature controlled bay) and a 200m² office component. Access to the warehouse is via two roller doors which are covered by an 800m² awning. The warehouse has 10.5m of clearance with sprinklers throughout. All external areas of the Property are sealed with reinforced concrete to provide truck maneuvering and loading areas. The site includes 22 on-grade car parks for staff and visitors and has 3 crossovers for site access.

1.4. Specific information relating to the Property

Details relating to the Property are set out below:

Registered description	Lot 26 on SP 246306; County of Stanley; Parish of Mackenzie; Title Reference 50894661
Title	Freehold
Location	Berrinba, 30 km south of the Brisbane CBD
GLA	4,070m ²
Car parks	22
Rent per m ²	AUD 171 per annum (net of outgoings)
Vacancy	0%

The Property has been valued at AUD 8,200,000 as at 19 September 2014 by m3property (Qld) Pty Ltd (ACN 125 442 631). The valuer, James Park, is an independent valuer and is an Associate of the Australian Property Institute and a Certified Practising Valuer (registration no.3185).

1.5. Forecast information on the Property

The forecasts have been prepared with effect from 1 November 2014 and include forecast results for the period ending 31 March 2015 and the year ending 31 March 2016.

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 5 months ending 31 March 2015 AUD'000	Forecast 12 months ending 31 March 2016 AUD'000
Revenue, including straight line adjustment	328	793
Total property expenses	(28)	(69)
Net property income	300	724
Fund management fees	(21)	(49)
Fund operating costs	(6)	(16)
Net operating income before finance charges	273	659
Finance costs	(172)	(413)
Net profit attributable to equity holders	101	246
Less: straight line revenue adjustment	(17)	(32)
Distributable income pre-withholding tax	84	214
Distributable income post-withholding tax	82	205

Notes:

1. All revenue for the reporting periods shown is contracted and is based on the lease in place on settlement.
2. The annual escalation embedded in the lease is 3.15%.
3. Distributions payable to unitholders attributable to the Acquisition are substantially shielded from withholding tax in Australia as a result of interest expense on debt funding and depreciation allowances on the Property.

1.6. Categorisation

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

Johannesburg
16 October 2014

Investment Bank and Sponsor
Investec Corporate Finance