

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 FOR AUD 18,150,000

1. ACQUISITION OF NEW PROPERTY

1.1. Acquisition

Unitholders are advised that the Fund has entered into a contract for sale with C. & H. Properties (Qld) Pty Ltd (as trustee) to acquire the property located at 85 Radius Drive, Larapinta QLD 4110 (**Property**).

The effective date of the acquisition of the Property is the settlement date under the contract for sale, which is scheduled for 21 August 2015.

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

1.2. Purchase consideration

The purchase consideration is AUD 18,150,000 which represents an annualised property yield of 7.80% (7.34% 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 33%.

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 Brisbane CBD and is home to tenants such as Woolworths, Toll, BP, Hafele and Toyota;
- (b) the Property is conveniently located in close proximity to the Logan motorway which connects to Pacific motorway, the main arterial road connecting Brisbane and the Gold Coast;
- (c) the Property was constructed in 2009 to a very high standard;
- (d) the Property is 100% leased to Coil Steels Pty Limited which is part of the Kanji Group, an established family-run building materials business that owns several successful subsidiaries across Australia including Metroll, Tasmania Mines, National Masonry and Pipemakers;
- (e) the annual rent at the Property is AUD 141 per m² which is consistent with rents in the precinct;
- (f) the lease expiry is 6.3 years and contracted annual rental growth is linked to CPI which has averaged 2.64% over the past 10 years; and
- (g) it is accretive based on the positive spread between the property yield and funding costs of 4.15%.

1.4. Specific information relating to the Property

Registered description	Lot 2 in Strata Plan 229991
Title	Freehold
Sector	Industrial
Location	21 km south of the Brisbane CBD
Year built	2009
Site area	21,930m ²
GLA	10,088m ²
Rent per m ²	AUD 141
Vacancy	0%

The Property has been valued at AUD 18,150,000 effective as at 7 August 2015 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 acquisition of the Property

The forecasts have been prepared with effect from 1 September 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 have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS.

	Forecast 7 months ending 31 March 2016 AUD'000	Forecast 12 months ending 31 March 2017 AUD'000
Revenue	917	1,616
Total property expenses	(83)	(147)
Net property income	834	1,469
Fund management fees	(68)	(116)
Net operating income before finance charges	767	1,353
Finance costs	(466)	(800)
Net profit attributable to equity holders	300	554
Distributable income pre-withholding tax	300	554
Distributable income post-withholding tax	288	527

Notes:

1. All revenue for the reporting periods shown is contracted and is based on the leases in place at 1 September 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 39% 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 4.15% with 88% 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
19 August 2015

Sponsor
Investec Bank Limited