

INVESTEC AUSTRALIA PROPERTY FUND

Incorporated and registered in Australia in terms of ASIC (ARSN 162 067 736)

Registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No. 45 of 2003 and operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) ("**Responsible Entity**")

Share code: IAP ISIN: AU60INL00018

Letters of Allocation share code: IAPN ISIN: ZAE000195871
("IAPF" or "the Fund")

RIGHTS OFFER FINALISATION ANNOUNCEMENT

1. Introduction

IAPF intends to raise approximately AUD 120,000,000 through the issue of 111,896,298 new units ("**Rights Offer Units**") in the ratio of 83.08 Rights Offer Units for every 100 units held on the record date for the rights offer ("**Rights Offer**").

The subscription price for the Rights Offer Units is R10.70 per Rights Offer Unit ("**Rights Offer Issue Price**"). The Rights Offer Issue Price includes an estimated accrued distribution of 37 ZAR cents for the period from 1 April 2014 to 30 September 2014 and an estimated accrued distribution of 4 ZAR cents for the period from 1 October 2014 to 19 October 2014, which will be distributed to unitholders when the Fund makes its interim distribution during December 2014 and final distribution during June 2015 respectively. On this basis, the Rights Offer Issue Price excluding the accrued distribution for the applicable periods is R10.29 per Rights Offer Unit.

The Rights Offer Issue Price represents a:

- 5.1% discount to the 30-day volume-weighted average price of units listed on the JSE as at the close of business on Friday, 19 September 2014, being the last business day prior to the release of this finalisation announcement; and
- 6.1% discount to the closing price of units on the JSE on Friday, 19 September 2014.

The Rights Offer Units will, upon allotment and issue, rank *pari passu* with the existing issued units in terms of both voting and distribution rights.

Excess applications will be allowed.

Unitholders are advised that the Rights Offer is unconditional and accordingly the Rights Offer may now be implemented.

2. Rationale for the Rights Offer

As advised in the SENS announcement released on 21 July 2014, the purchase consideration (including acquisition costs) of AUD 69,568,124 for the acquisition of the Ann Street Property is to be funded from a portion of the proceeds of the Rights Offer.

Furthermore, as detailed in the SENS announcements dated 27 February 2014 and 15 May 2014, the Fund has also concluded the acquisitions of the Garden City Property and Reed Street Property subsequent to its listing, both of which were funded from IAPF's debt facilities resulting in a current gearing ratio of 26.8%.

The remaining proceeds of the Rights Offer amounting to AUD 50,431,876 will be utilised to fund transaction costs and reduce gearing so as to provide the Fund with capacity to pursue pipeline acquisitions which are attractively priced and compliment the strength of the existing portfolio's real estate fundamentals. The ability to transact without funding conditions has provided advantageous to the Fund against other competitors.

Assuming the Rights Offer is fully subscribed, the Fund will be ungeared post the Rights Offer. It is however important to note that whilst the Rights Offer provides short-term debt capacity through an ungeared balance sheet, it is the intention of the Fund to maintain a target gearing level around 35% and lock in the current favourable yield spread on pipeline acquisitions of between 200 and 300 basis points due to the favourable Australian interest rate environment.

3. Financial effects of the Rights Offer

The table below sets out the pro forma financial effects of the Rights Offer based on the Fund's statement of financial position as at 31 March 2014 and forecast statement of comprehensive income for the year ending 31 March 2015, as set out in the pre-listing statement of the Fund dated 25 September 2013 ("**Pre-listing Statement**").

The pro forma financial effects have been prepared to assist Unitholders to assess the impact of the Rights Offer on the pro forma forecast earnings and distribution per Unit and the pro forma net asset value and net tangible asset value per Unit.

Due to the nature of the pro forma financial effects, they are presented for illustrative purposes only and may not fairly present the Fund's financial position or the results of its operations after the Rights Offer.

The pro forma financial effects have been prepared in accordance with the Listings Requirements of the JSE and the South African Institute of Chartered Accountants Guide on Pro forma Financial Information (revised and issued in September 2012) and are the responsibility of the Directors.

The detailed assumptions on which the pro forma financial effects are based are set out in Annexure 1 to the Rights Offer circular. The pro forma financial effects set out below should be read in conjunction with the report of the Independent Reporting Accountants, which is included as Annexure 2 to the Rights Offer circular.

	Forecast for the year ending 31 March 2015 (as per Pre-listing Statement)	Total before the Rights Offer	Post the Rights Offer	% change (based on first column)
Basic earnings per unit (cents)	8.5	6.8*	6.2*	-27.1%
Headline earnings per unit (cents)	8.5	9.2*	8.4*	-1.2%
Distribution per unit pre withholding tax (cents)	7.7	8.2*	7.5*	-2.6%
Distribution per unit post withholding tax (cents)	7.1	7.7*	7.0*	-1.5%

**Based on weighted average Units in issue*

Based on the illustrative financial effects set out above, the Fund will be ungeared post the Rights Offer. Before the Rights Offer, the Fund is geared at 26.8%. The Rights Offer and the resultant ungeared balance sheet have the effect of diluting the distribution per Unit. It is the intention to deploy the debt capacity created by the Rights Offer into the pipeline as soon as possible, provided the real estate fundamentals are in line with the Fund's investment strategy. If the Responsible Entity deploys all of the debt capacity at an assumed property yield of 7.75% and an assumed interest rate of 4.94%, this would result in a pre withholding tax distribution per unit of 7.9 cents and a post withholding tax distribution per unit of 7.3 cents, which evidences the accretive impact of the deployment of debt in the current favourable interest rate environment.

Notes and assumptions:

- The figures set out in the "Forecast for the year ending 31 March 2015" column above have been extracted, without adjustment, from the Pre-listing Statement showing the forecast for the year ending 31 March 2015, being the most recent period in respect of which profit forecast information has been published for the Fund and its acquisitions.
- The forecasts in respect of the following properties acquired since listing have been included to arrive at the "Total before the Rights Offer" column:
 - The Garden City Property, as set out in the SENS announcement dated 27 February 2014;
 - The Reed Street Property, as set out the SENS announcement dated 15 May 2014; and
 - The Ann Street Property, as set out in the SENS announcement dated 21 July 2014 and the circular posted to unitholders dated 14 August 2014 in respect of this acquisition ("**Acquisition Circular**").
- The figures set out in the "Total before the Rights Offer" column show the forecast earnings and distributions with the Fund's existing portfolio geared at 20% for a full 12 month period. The forecast distribution shown in this column is diluted by the Rights Offer as at out in note 6 below.

4. The pro forma adjustments to the statement of comprehensive income have been calculated on the assumption that the Rights Offer was fully subscribed and implemented on 1 October 2014.
5. 111,896,298 Rights Offer Units are assumed to be issued pursuant to the Rights Offer at the Rights Offer Issue Price, thereby raising capital of AUD 120,000,000, based on an exchange rate of AUD 1.00 = ZAR 9.9778 as at the last practicable date prior to finalisation of the financial information. The capital is deployed to the acquisition of the Ann Street Property and the repayment of the Fund's existing debt balance. The Fund is therefore ungeared after the Rights Offer and the acquisition of the Ann Street Property. An ungeared balance sheet is not illustrative of the long term strategy of the Fund.
6. The following adjustments have been made in terms of the Rights Offer:
 - a) Increase in asset management fee, calculated as a percentage of enterprise value;
 - b) Savings on finance costs at all-in rate of 4.69% due to repayment of debt;
 - c) Interest income earned on excess funds at rate of 2.50%;

The effect of the above is the dilution of the earnings and distribution per unit as capital is being raised with the only benefit being the savings in borrowing costs, therefore resulting in a negative yield spread. As detailed earlier it is the intention to deploy the debt capacity created by the Rights Offer into the pipeline as soon as possible, which will result in positive yield spread and distribution accretion, assuming the Australian interest rate environment and property yields remain constant.

7. No adjustment has been made in respect of antecedent interest, as the weighted average number of units has been used in calculating the distribution per unit and earnings per unit.

	Audited results for the year ended 31 March 2014	Total before the Rights Offer	% change	Pro forma results after the Rights Offer	% change (based on first column)
Net asset value per unit (cents)	0.98	0.98	0.2%	1.00	2.0%
Net tangible asset value per Unit (cents)	0.98	0.98	0.2%	1.00	2.0%
Number of units in issue ('000)	134,685	199,558		246,581	

Notes and assumptions:

1. The "Audited results for the year ended 31 March 2014" column was extracted from the audited financial statements of the Fund for the year ended 31 March 2014.
2. The net asset value per unit and net tangible asset value per unit figures are calculated based on the actual number of units in issue at 31 March 2014 and on the basis that the Rights Offer was affected on 31 March 2014.
3. The following adjustments have been included to arrive at the "Total before the Rights Offer" column:
 - a) Payment of final distribution of AUD 4,601,921 for the six months ended 31 March 2014;
 - b) Acquisition of the Reed Street Property as announced on SENS on 15 May 2014. As this acquisition occurred post the Fund's year end, it was not included in the audited results for the year ended 31 March 2014.
 - c) Acquisition of the Ann Street Property, as set out in the SENS announcement dated 21 July 2014 and the Acquisition Circular. It is assumed that AUD 69,568,124 of the Rights Offer proceeds will be utilised for the acquisition of the Ann Street Property and associated acquisition costs and transaction costs.
4. The *pro forma* adjustments to the statement of financial position have been calculated on the assumption that the Rights Offer was fully subscribed for and the proceeds of the Rights Offer were received on 31 March 2014.

5. The following adjustments have been made in terms of the Rights Offer:

- a) 111,896,298 Rights Offer Units are assumed to be issued pursuant to the Rights Offer at the Rights Offer Issue Price, thereby raising capital of AUD 120,000,000, based on an exchange rate of AUD 1.00 = ZAR 9.9778.
- b) Excess cash remaining after funding the Ann Street Property, acquisition costs, transaction costs and paying down debt is assumed to earn interest at a rate of 2.5% p.a.
- c) Transaction costs amounting to AUD 955,889 have been incurred and written off to equity i.e. equity raised is immediately used to settle transaction costs.
- d) A portion of the Rights Offer proceeds will be utilised to pay down debt of AUD 48,135,464. Based on the illustrative financial effects detailed in the Rights Offer circular, the Fund will be ungeared post the Rights Offer. However, over the long term it is the intention of the Fund to maintain a target gearing level around 35%. Thus the Responsible Entity intends to deploy the debt capacity created post the Rights Offer rather than remaining ungeared.

4. Salient dates and times

The salient dates and times of the Rights Offer will be the same as those published in the declaration announcement released on SENS on Thursday, 18 September 2014 and published in the press on Friday, 19 September 2014.

Unitholders may commence trading in the letters of allocation on Monday, 29 September and in the Rights Offer Units on Monday, 13 October 2014.

5. Rights Offer circular

Further details of the Rights Offer will be set out in the circular to unitholders which is expected to be posted to certificated unitholders on Tuesday, 30 September 2014 and to dematerialised unitholders on Tuesday, 7 October 2014. The Rights Offer circular will be made available on the Fund's website www.investecaustraliapropertyfund.co.za from Monday, 29 September 2014.

6. Jurisdiction

The Rights Offer is subject to any applicable laws and regulations, including the laws of South Africa, the Exchange Control Regulations and the laws of the relevant jurisdictions of foreign unitholders. Such foreign unitholders should inform themselves about and observe any applicable legal requirements of such jurisdiction in relation to all aspects of the Rights Offer that may affect them and should refer to the Rights Offer circular for details of the Rights Offer and the laws and regulations governing the Rights Offer. It is the responsibility of any foreign unitholder to satisfy themselves as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the Rights Offer, including the obtaining of any governmental, exchange control or other consent or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes for other requisite payments due in such jurisdiction. Any foreign unitholder who is in doubt as to his position with respect to the Rights Offer in any jurisdiction should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

Investment Bank and Sponsor
Investec Bank Limited

Independent Sponsor
Deloitte & Touche Sponsor Services (Pty) Ltd

Independent Reporting Accountants
KPMG Inc.

Legal Advisor (Australia)
Herbert Smith Freehills

Legal Advisor (South Africa)
Fluxmans Inc.

Sydney
22 September 2014