

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 The Trust Company (Australia) Limited (ACN 000 000 993) to acquire the property located at 21 – 23 Solent Circuit, Baulkham Hills NSW 2153 (**Property**).

The effective date of the acquisition of the Property is the settlement date under the contract for sale, which is scheduled for 31 March 2015.

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

1.2. Purchase consideration

The purchase consideration is AUD 38,915,306 which represents an annualised property yield of 7.77% (7.33% post all transaction costs) as at 1 April 2015.

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 25%.

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 as:

- (a) the Property is located 36 kilometres north west of the Sydney CBD in the heart of Sydney's growth corridor and will greatly benefit from the construction of the North West Rail Link due for completion in 2018;
- (b) the Property is occupied by high quality tenants comprising a mix of listed, international and national companies including:
 - Clarendon Homes, a home builder operating in New South Wales and Queensland for over 30 years;
 - Novo Nordisk, a global healthcare company established in Denmark 90 years ago and listed on NASDAQ Copenhagen and NYSE;
 - Bosch Security Systems, part of the global Bosch group of companies operating in over 50 countries;
 - PwC, a global professional services firm operating in 157 countries;
 - Cytec, a global company delivering specialty material and chemical technologies to a wide range of industries and listed on NYSE; and
 - Imation, a global data storage and information security company listed on NYSE;

- (c) the Property is 85% leased with scope to deliver additional income to the Fund through active leasing of the vacant space – the annualised property yield on a fully leased basis would be 9.46%;
- (d) the average annual office rent at the Property is approximately AUD 271 per m² which reflects market rents for the area, but which is lower than competing suburban office markets such as North Sydney, Parramatta and Rhodes;
- (e) the weighted average lease expiry is 5.5 years (by income) and contracted annual rental growth rates range from CPI to 4.0%; and
- (f) 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 5091 in Deposited Plan 1003896
Title	Freehold
Sector	Office
Location	36 km north west of the Sydney CBD
Year built	2002
Site area	11,610m ²
GLA	10,836m ²
Car parks	426
Office rent per m ²	AUD 271
Vacancy	15%

The Property has been valued at AUD 39,000,000 as at 1 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 April 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 12 months ending 31 March 2016 AUD'000	Forecast 12 months ending 31 March 2017 AUD'000
Revenue, including straight line adjustment	4,130	4,169
Total property expenses	(812)	(832)
Net property income	3,318	3,337
Fund management fees	(248)	(248)
Fund operating costs	(78)	(78)
Net operating income before finance charges	2,992	3,011
Finance costs	(1,709)	(1,709)
Net profit attributable to equity holders	1,283	1,302
Less: straight line revenue adjustment	(250)	(161)
Distributable income pre-withholding tax	1,033	1,141
Distributable income post-withholding tax	1,033	1,141

Notes:

1. All revenue for the reporting periods shown is contracted and is based on the leases in place at 1 April 2015.
2. Distributions payable to unitholders attributable to the acquisition of the Property are 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 21% 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
25 March 2015

Investment Bank and Sponsor
Investec Bank Limited