INVESTEC PROPERTY FUND LIMITED
Approved as a REIT by the JSE
(Incorporated in the Republic of South Africa)
(Registration Number 2008/011366/06)
Share code: IPF ISIN: ZAE000180915
("**Investec Property Fund**" or "**the Fund**" or "**IPF**")

CAUTIONARY ANNOUNCEMENT - STRATEGIC PARTNERSHIP TO ACQUIRE THE ENTIRE PAN EUROPEAN LOGISTICS PLATFORM

---

1. INTRODUCTION

Shareholders are advised that Investec Property Fund, through its wholly owned subsidiary Investec Property Fund Offshore Investments Proprietary Limited ("**IPFO**"), is finalising the agreements to increase its interest in the Pan European Logistics ("**PEL**") platform from funds managed by the Real Estate Group of Ares Management Corporation or its affiliates ("**Ares"** or the **"Vendor"**). The Fund currently holds 42.9% in the PEL platform and will increase its stake to approximately 75.0% for an additional equity investment of c. EUR 191 million (the "**Proposed Transaction**"). Furthermore, as part of the Proposed Transaction, the fund would concurrently introduce a new strategic equity partner ("**Co-Investors**") for the remaining 25.0% stake in PEL, with the PEL platform being operated on a joint control basis going forward. Signing and completion of the Proposed Transaction is anticipated on or about 14 February 2020.

The current portfolio consists of 45 logistics properties and is valued at c. EUR 900 million, with a total GLA of 1,034,952sqm across six European countries (the "**PEL Portfolio**"). Ares' interest in the PEL Portfolio will be acquired for a price of EUR 277 million and will deliver an equity yield to Investec Property Fund ("**IPF**") of c. 9% in Euros.

2. KEY INVESTMENT HIGHLIGHTS

- Exceptional performance to date having delivered:
    - More than 20% like-for-like net operating income growth since inception in March 2018
    - Positive rental reversions achieved in the 6 months to 30 September 2019 of 8%
    - Reduction in vacancies to 1.8% and an increase in WALE from 3.5 years to 4.8 years
    - 2.0x gross money multiple on IPF's initial investment at the Proposed Transaction value

- Expected to deliver:
    - Earnings and NAV accretion from day 1, with NAV uplift of c. R1bn (7%) based on the Proposed Transaction Value
    - Proposed Transaction Value pricing remains below recent comparable transactions leaving value in the bid
    - Rental growth resulting from industry wide trends
    - c.9% equity yield in Euros
    - Further value unlock through:
        1. Development opportunities within the PEL Portfolio
        2. Demand outstripping supply
        3. Continued vacancy reduction and accelerating rental growth

- Consolidation of the Belgium acquisitions, announced on SENS on 12 December 2019, into the PEL platform post completion of the Proposed Transaction.

- Increases IPF's offshore exposure to c.30% of assets (c.45% on a look-through basis)

- Highly experienced on the ground management team in place who have:
    - To date delivered significantly ahead of the original investment case; and
    - A track record evidenced by the performance of IPF's investment to date and Hansteen's portfolio sold to Blackstone for EUR 1.3 billion in 2017

3. RATIONALE

The Proposed Transaction is a unique opportunity for the Fund to execute on its intended strategy outlined at the outset of the initial investment, by gaining joint control of the European property platform that has demonstrated a track record of growth. The PEL Portfolio continues to provide superior growth, with further opportunities still evident.

The Proposed Transaction provides the Fund with:

a. *Sizeable, unique offshore exposure*

An opportunity for the Fund to significantly increase its offshore exposure. Post the Proposed Transaction, the Funds' offshore exposure will be 30% of gross assets on a reported basis, and 45% on a look-through basis. Furthermore, this will give South African investors the opportunity to gain sizeable exposure to a focused Pan European Logistics offering on the JSE.

There has been significant growth in the European logistics sector boosted by retail sales and consumer spending despite on-going economic and political uncertainties. However, despite this recent growth, the European logistics market remains less advanced than that of the United Kingdom, Asia and the United States of America, but is expected to grow strongly at an average of 11.3% per annum over the next 5 years, and therefore continues to present an attractive opportunity. The rapid growth of e-commerce across Europe is further driving demand in the logistics sector as e-commerce is quickly becoming as important as physical store networks, specifically given the fact that sales generated through e-commerce require approximately three times more logistics space than those generated through traditional retail stores.

Supply remains insufficient to meet end-user requirements with lack of available industrial land and competition with other land uses constraining new development projects. While overall completions are increasing, contrary to the years before the global financial crisis, developers are exercising restraint and mainly developing on a pre-let basis. With increasing demand, decreasing vacancy levels and tightening supply, rent levels are therefore expected to experience a structural increase in the near term.

b. *The platform strategy*

The PEL Portfolio is located across six countries (Germany, France, the Netherlands, Spain, Italy and Poland), providing access to core logistics markets across Europe.

The core investment strategy remains centered around following key principles:

- Major Western European geographies which are liquid and transparent markets
- Micro-location – target assets in established logistics hubs with high concentrations of industry and consumers
- High quality assets and strong property fundamentals - assets below 20 years of age with asset management opportunities and assets which provide maximum occupational flexibility and attractiveness such as high eaves, large turning circles and expansion potential
- Target assets with pricing that reflects a discount to replacement cost and / or competing assets, as well as providing positive positioning to benefit from the secular trend of increased demand for logistics and resulting rental growth
- Target buildings typically ranging in sizes from 10,000 sqm to 40,000 sqm
- Robust cash flows – target cash yielding assets with good occupancy history that offer potential for attractive cash-on-cash yields
- Off-market situations – target transactions where the UREP is able to capitalise on its network to unlock off-market or complex mispriced opportunities
- Identify "core plus" assets with value-add opportunities – shorter leases with relatively low contractual rental terms and asset management upside, compared to prime core assets where pricing is considered to be at unsustainable levels; and
- Diversified tenant base with the majority of rental income derived from tenants operating in the transportation and logistics sector.

The Fund believes that the strategy is still well suited to the current global macro and investment environment. After 10 years of quantitative easing and relaxed monetary policy, asset pricing in developed markets has enjoyed significant appreciation. While yield curves in these markets have provided a strong tailwind, the real value creation going forward will be driven by real estate fundamentals. This aligns to the shift from a cap rate tightening cycle to the early stages of a rental growth cycle. Management have positioned the business to unlock the benefits of this shifting growth fundamentals.

c. *New Strategic partner*

As part of the Proposed Transaction, IPFO will introduce a new 25% strategic equity partner into the

PEL Platform, in which it will share joint control post completion of the Proposed Transaction. The proposed new equity partner is a consortium of family offices including investors with in-depth knowledge and an established track record in EU real estate sector. Furthermore, the equity partnership has a long-term interest in growing the platform and broadens the potential sources of access to capital in order to unlock future growth opportunities.

In addition, IPFO may introduce another consortium of investors to acquire up to a 10% stake in the platform, which will reduce IPFO's stake to 65%. This will provide an additional source of capital to support the future growth of the platform in line with the envisaged strategy.

d. Strong, in country asset management team in place

The in-country asset management will be undertaken by Investec Property Proprietary Limited in due course and will continue to be executed by Urban Real Estate Partners ("**UREP**"), a dedicated management platform led by Paul Rodger (Managing Director of UREP). This creates consistency in unlocking value through asset management opportunities available in the PEL Portfolio.

UREP has established a team of experienced and locally based real estate professionals with a strong track record in managing portfolios of this nature. The UREP team consists a team of dedicated asset managers for each major investment geography. In order to align long-term interest between the external Management Committee and PEL, UREP's core management will invest equity alongside IPFO and the co-investor.

4. DESCRIPTION OF PROPERTIES

By property value, c.75% of the PEL Portfolio is situated in Germany, France and Netherlands with the remaining properties situated in Spain, Italy and Poland. There is a diversified tenant base with the majority of rental income derived from tenants operating in the transportation and logistics sector, including *inter alia* DHL, Nippon Express, CHI, Rhenus and P&G.

The properties are well located in primary and secondary logistics nodes, with the majority of locations being classified as A and A-. The buildings are generally purpose built, high bay warehouses of a high-quality grading and an average lease expiry of 4.8 years. The PEL Portfolio has performed exceptionally well to date, with stronger leasing activity, better rentals, shorter void periods, quicker leasing of vacant space and lower incentives.

5. SALIENT PROPERTY INFORMATION

Details of the PEL Portfolio, which are all classified as logistics assets, are set out in the table below.

Country	Property	GLA (m^2)	Vacancy (%)	WAULT (years)
France	Belfort	30,591	0%	5.8
France	Le Havre	28,595	0%	5.1
France	Rennes	19,158	0%	3.2
France	Orleans	20,509	0%	2.8
France	Saint Fargeau	20,426	0%	5.7
France	Bourg en Bresse	34,999	1%	4.1
France	Toussieu	38,840	22%	5.1
France	Combs-la-Ville	23,262	0%	7.8
France	Rouen	9,649	0%	7.0
France	Marseille	65,473	1%	8.7
Germany	Frankfurt	26,584	0%	9.0
Germany	Koelleda	16,064	0%	2.0
Germany	Wetzlar	23,171	11%	1.6
Germany	Solingen	52,050	0%	2.0
Germany	Hoppegarten	75,463	0%	3.5
Germany	Dortmund	25,783	0%	2.7
Germany	Mönchengladbach	10,618	0%	1.0

Germany	Hanover	24,551	5%	1.0
Italy	Carpiano	76,405	0%	4.1
Neth.	Hordijk	13,268	0%	6.5
Neth.	Maasvlakte	67,390	0%	3.9
Neth.	Schiphol	28,733	0%	4.8
Neth.	Bergen op Zoom	20,958	25%	5.7
Neth.	Venlo Marco Poloweg	25,704	0%	3.8
Neth.	Tiel	9,822	0%	4.3
Poland	Sochaczew	101,538	0%	7.6
Poland	Lodz	19,422	0%	2.1
Poland	Poznan	31,875	0%	3.6
Poland	Krakowska	11,045	0%	2.0
Spain	Tarancon	83,005	0%	6.7
Total		**1,034,952**	**1.8%**	**4.8**

Notes:

1. As the Fund is acquiring an equity interest, no purchase consideration per property can be ascribed. Capital deployed as part of the Proposed Transaction will be equal to the net asset value acquired.

6. FINANCIAL INFORMATION

Set out below are the forecast revenue, operating profit, net profit after tax and earnings available for distribution in respect of the Proposed Transaction (“**the Forecast**”) for the six weeks ending 31 March 2020 and the year ending 31 March 2021 (“**the Forecast Period**”).

The Forecast has been prepared on the assumption that the Proposed Transaction is effective from 14 February 2020.

The investment is accounted for as a joint venture. As such there is no impact on the Fund’s revenue and operating profit. The Forecast net profit after tax includes equity accounted earnings and interest income, net of finance costs and management fees.

The Forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the Fund. The Forecast has not been reviewed or reported on by independent reporting accountants.

The Forecast presented in the table below has been prepared in accordance with the Fund’s accounting policies, which are in compliance with International Financial Reporting Standards.

	Forecast for the 6 weeks ending 31 March 2020 ZAR’000	**Forecast for the year ending 31 March 2021 ZAR'000**
Revenue	**-**	**-**
Operating Profit	**-**	**-**
Net profit after tax	**24,800**	**166,500**
Earnings available for distribution	**24,800**	**166,500**

The Forecast incorporates the following material assumptions in respect of revenue and expenses:

1. The Forecast is based on information derived from cash flow forecasts prepared by the Fund.
2. The forecasts is based on the incremental impact of the 32.1% additional equity share in PEL.
3. The Forecast has been prepared in ZAR, based on a conversion rate of 16.78 for the six weeks ending 31 March 2020 and ZAR/EUR 18.00 for the year ending 31 March 2021.
4. Assumptions regarding lease expiration and new leases during the forecast period is based on historical evidence and current market dynamics. Where it has been assumed that vacant space will be let in future, the rental income for that space is based on an ERV rate and rent-free periods have been applied based on market convention.

5. Of the rental income for the 6 weeks ending 31 March 2020, 98% relates to contracted rental income, with 2.0% attributed to uncontracted rentals.
6. Of the rental income for the year ending 31 March 2021, 92% relates to contracted rental income and 8.0% attributed to uncontracted rentals.
7. No material expenditure items are assumed to increase in the Forecast Period by more than 15% over the previous financial period.
8. No fair value adjustment is recognised for the Forecast Period.
9. The blended funding cost is anticipated to be approximately c.5.0%.

7. CAUTIONARY ANNOUNCEMENT

Shareholders are advised to exercise caution when dealing in the Fund's securities until a further announcement is made, which is anticipated to be on or about 14 February 2020.

8. CATEGORISATION OF THE PROPOSED TRANSACTION

The Proposed Transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, it is not subject to approval by the Fund's shareholders.

9. DIVIDEND GUIDANCE

Reference is made to the previous dividend guidance of 3% to 5% provided by the Board of Directors in November 2019, with the upper end being achieved through the deployment of capital into the offshore platforms. Although the Proposed Transaction is highly accretive to earnings from day one, it will only impact the current year's distribution for six weeks with the full impact of the Proposed Transaction impacting the financial year ending 31 March 2021. As a result, the dividend guidance for the financial year ending 31 March 2020, as provided in the financial results 2019 announcement published on 13 November 2019, remains unchanged.

Johannesburg
11 February 2020

Financial Advisor and Sponsor
Investec Bank Limited