

INVESTEC PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Reg. No: 2008/011366/06)
Approved as a REIT by the JSE
Share Code: IPF
Bond Code: INV
ISIN: ZAE000180915
("Investec Property Fund" or "the Fund")

SALE OF BELGIUM PROPERTIES AND A 10% INTEREST IN PEL

Investors are referred to the announcement published on SENS on 10 September 2020, wherein the Fund noted that the sale of the Belgium properties into the Pan-European Logistics ("PEL") platform ("Belgium Disposal") and the separate sale of a 10% interest in the PEL platform ("PEL Sale") were anticipated to be concluded shortly. The Fund is now pleased to announce that the Fund has agreed terms in respect of both of the Belgium Disposal and PEL Sale, individual details of which are set out hereunder.

A. Belgium Disposal

1. Background and rationale

Investors are referred to the announcement released on 12 December 2019 in respect of the acquisition of two Belgian logistics properties ("Belgium Properties"). The acquisition formed part of the Fund's PEL real estate strategy, and it has always been the Fund's intention to transfer the Belgium Properties into the PEL platform upon refinancing of the debt within the PEL platform.

Investors are advised that the Fund reached agreement on 22 September 2020 with the PEL co-investor to transfer the Belgium Properties into the PEL platform at the Fund's acquisition cost of €70.7m. The Belgium Disposal terms contains undertakings, warranties and indemnities normal for a transaction of this nature, and is only subject to the finalisation of the PEL refinancing. The transfer will become effective simultaneously with the refinancing, anticipated to be mid-October 2020.

The Belgium Disposal forms part of the Fund's existing de-gearing flightpath and proceeds realised from the disposal and refinancing of these assets will be applied towards reducing the Fund's LTV. The salient outcomes of the Belgium Disposal are as follows:

- The Fund will retain a 65% interest in PEL, from the existing 75% interest (taking into account the PEL Sale below); and
- The Fund will receive cash proceeds of €8m for the net equity interest payable by the PEL co-investor in respect of their *pro rata* interest to be settled at the earlier of any exit by the PEL co-investor or February 2025;

2. Financial information

The impact of the Belgium Disposal on the Fund's results for 31 March 2020 is set out below:

	Impact of the Belgium Disposal as at 31 March 2020 (Rm)¹
Operating profit ¹	(19.6) ²
Net asset value (NAV)	.3 ³

Notes:

1. The Belgium Properties were 100% indirectly owned by the Fund and were therefore consolidated. As such, the Fund previously recognised income from these assets in its net property income and operating profit.
2. Extracted from the audited financial results for the year ended 31 March 2020 and represents 100% of the net property income earned from the Belgium Properties since acquisition in December 2019, notwithstanding that the Fund will effectively retain 65% of the earnings from the Belgium Properties in the form of investment income from the PEL platform.
3. Investment property value will be reduced by €70.7m (approximately R1.4bn) and aggregate proceeds received from debt refinancing within PEL platform and equity contributions from co-investors will be used to settle debt thus the net impact to the Fund's last reported NAV is nil.

3. Property information

Details of the Belgium Properties are set out below :

Name	Geographic location	Sector	GLA (m ²)	Weighted average rental per month (EUR/m ²)	WAULT (years)	Disposal value (EURm) ^{1,2}
Opglabeeek	Flanders, Belgium	Industrial	78,000	3.3	3.0	49.2
Houthalen	Flanders, Belgium	Industrial	27,000	3.5	3.4	21.6
Total			105,000	3.4	3.1³	70.7

Notes:

1. Gross acquisition cost was €70.7m (including transaction costs) when originally acquired by the Fund in December 2019, transferred into the PEL platform at cost.
2. The disposal consideration payable in respect of each of the Properties is considered to be its fair market value, as determined by the directors of the Fund. The directors of the Fund are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000.
3. Excludes rental guarantee in Opglabeeek property. If the duration of the rent guarantee is included, then Opglabeeek WAULT is 2.5 years and aggregate WAULT is 2.7 years.

B. PEL Sale

1. Background and rationale

The Fund is now pleased to inform investors that it has now concluded a sale and purchase agreement in respect of a 10% effective interest in PEL to Pan-European Logistics Property Holdings Limited (“**PEL HoldCo**”), for an aggregate cash consideration of €40m (the “**PEL Sale**”). PEL HoldCo is a Mauritian-domiciled entity established for purposes of facilitating a passive investment into the PEL platform by various private clients of Investec Wealth & Investment (“**IWI**”), with the ultimate investors unsighted by IPF.

The PEL Sale was facilitated and implemented by IWI, through a private placement, which placement was oversubscribed and continues to evidence the demand for access to this platform.

The Fund currently held its 75% interest in the PEL platform via its Luxembourg-domiciled subsidiary, IPF Lux 2 Sarl (“**IPF LuxCo**”). PEL HoldCo will acquire its effective 10% interest in the PEL platform via the acquisition of a 13.33% interest in IPF LuxCo. As such, IPF LuxCo will continue to hold a 75% interest in the PEL platform with the Fund representing 86.67% of IPF LuxCo and holding an effective 65% interest in the PEL platform.

The PEL Sale forms part of the Fund’s existing de-gearing flightpath, and as such, the PEL Sale proceeds will be utilised to settle existing Euro bridge debt facilities and further strengthen the Fund’s balance sheet.

2. Key terms

The agreements in respect of the PEL Sale contain terms which are normal for a transaction of this nature. Key terms include:

- Drag along rights in favour of the Fund and tag along rights for both parties; and
- A yield top-up mechanism for a period of up to 5 years which is expected to result in PEL HoldCo receiving a specified minimum yield. If this yield is not achieved before the top-up, the Fund will settle the shortfall up to a maximum of €280,000 p.a. The top-up provided necessary protection to PEL HoldCo during a time of increased global uncertainty due to the COVID-19 pandemic and ensured that the Fund received fair value for its disposal shares. The Fund is confident that, given the current strong underlying cash flows and projected growth in rental streams going forward, it is unlikely that the top-up will be called upon.

3. Financial information

The impact of the PEL Sale on the Fund's net asset value and investment income for 31 March 2020 is set out below:

	<u>31 March 2020¹</u> <u>(Rm)</u>	<u>Impact of the</u> <u>PEL Sale as at 31</u> <u>March 2020 (Rm)</u>
Net assets	6,142.1	-. ²
Investment income ³	202.8 ⁴	(41.5) ⁵

Notes:

1. Extracted from the audited financial results for the year ended 31 March 2020.
2. Investment value will be reduced by R818.9m (being 13.33% of the 75% interest held by the Fund) and proceeds received will be used to settle debt thus the net impact to the Fund's last reported NAV is nil.
3. The Fund has joint control over the PEL investment, as such the investment is recorded as an equity accounted loan to a joint venture and income from the PEL platform is recognised as investment income.
4. The Fund increased its interest in the PEL platform to 75% on 24 February 2020, thus full year income is primarily attributable to the 42.9% interest held for most of the year and includes only 5 weeks where the Fund held a 75% interest in the PEL platform.
5. Excludes income attributable to the Belgium Properties.

C. Categorisation of the Belgium Disposal and PEL Sale

The Belgium Disposal and PEL Sale are unrelated, each of which are individually classified as Category 2 transactions in terms of the JSE Listings Requirements. Accordingly, neither are subject to shareholder approval.

Sandton
23 September 2020

Financial Advisor and Sponsor
Investec Bank Limited