

**Investec Property Fund Limited**  
 REVIEWED PRELIMINARY CONDENSED  
 CONSOLIDATED FINANCIAL RESULTS  
 FOR THE YEAR ENDED 31 MARCH 2021  
 AND DIVIDEND DECLARATION


**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  
 Bond code: INV  
 ISIN: ZAE000180915  
 Income tax reference number: 9332/719/16/1  
 ("IPF" or "the Fund")

The board of directors of IPF is pleased to announce the results for the year ended 31 March 2021:

**Highlights**

- Despite significant volatility and uncertainty over the last 12 months, the Fund is well-positioned for growth going forward
  - Investment portfolio simplified following exit of minority positions in UK Fund, IAP and the Pan-European light industrial ("PEL") platform
  - Business now focused on SA diversified property portfolio and Pan-European Logistics ("PEL") platform
- Balance sheet position significantly enhanced
  - Deleveraging flightpath achieved – c R5.8bn of proceeds generated from disposal of properties and divestments and used to pay down debt
  - LTV of 38.3%<sup>1</sup>
  - Continued payment of dividends through the pandemic
  - First SA REIT to issue a sustainability-linked bond – R800m unsecured note raised in widely subscribed offer<sup>2</sup>
- NAV per share declined by 8.5%
  - R899m (5%) fair value loss of SA property portfolio
  - R250m loss on sale of UK investment plus R84m forex losses and R101m equity accounted losses recognised in the year
  - Offset by revaluation of PEL investment driven by €75m (8%) uplift in underlying portfolio value
- Full year distributable earnings of 97.08 cents per share (cps) – 33.8% decrease versus prior year
  - SA heavily impacted by COVID-19, with LFL NOI down 21.2%
    - R62m of rental relief provided to tenants during lockdowns
    - Rental reversions, bad debts, business failures and increasing vacancy and void periods
    - Significant forward leasing activity (c. 100,000m<sup>2</sup>) impacted short-term earnings, but increased WALE and ensured stability of forward income
  - PEL portfolio continued to benefit from structural tailwinds in Europe – distributable earnings up 9.2%
    - 1.3% like-for-like NPI growth<sup>3</sup>
    - 8.5% average positive reversions achieved on 285,000m<sup>2</sup> of leasing
- Final dividend of 47.70453<sup>2</sup> cps takes full year dividend to 92.22661 cps, reflecting a 95% payout ratio for the full year.

1) Post receipt of funds from sale of interest in the UK Fund, PELI investment and payment of the FY21 interim dividend, all concluded post year-end.

2) Relates to items post year-end.

3) Measure of growth in base NPI and refers to comparison between the same portfolio of properties i.e. adjusted for properties acquired or disposed.

	<b>Reviewed 31 March 2021</b>	Audited 31 March 2020	Movement (%)
Revenue (ZAR'000) <sup>1</sup>	<b>1 467 523</b>	1 773 421	(17.2%)
Operating profit (ZAR'000) <sup>1</sup>	<b>927 540</b>	1 318 365	(29.6%)
Net asset value per share (cents) <sup>2</sup>	<b>1 665</b>	1 819	(8.5%)
Distributable earnings per share (cents) <sup>1</sup>	<b>97.08</b>	146.64	(33.8%)
Basic and diluted earnings per share (cents) <sup>3</sup>	<b>(40.70)</b>	229.42	(117.7%)
Headline and diluted headline earnings per share (cents) <sup>4</sup>	<b>130.47</b>	284.88	(54.2%)

1. Decrease due to the disposal of eight South African properties during the current year and the impact of COVID-19.

2. NAV decrease largely due to South African property impairments and a loss on the sale of UK investment.

3. Year-on-year decrease due to the impairment of the South African and UK portfolios.

4. Year-on-year decrease in operating profit for the year, net lower upward valuation of investments and forex losses in the current year.

### **FY21 final dividend**

The Fund hereby declares an FY21 H2 dividend of 47.70453 cps (R384m) in respect of the six months ended 31 March 2021. This represents a 95% pay-out ratio for FY21 H2 distributable earnings of 50.22 cps. This brings the total dividend for FY21 to 92.22661 cps, representing a full year pay-out ratio of 95%. The full year dividend also meets the minimum distribution (75%) required to retain REIT status.

In accordance with IPF's status as a REIT, shareholders are advised that the cash dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act. Compliance with REIT regulations requires payment of a dividend within 4 months of the Fund's FY21 year end.

### **Tax implications for South African resident shareholders**

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated Shares, or the Fund, in respect of certificated Shares, a declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is exempt from dividends tax in terms of section 64F and a written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the exemption change or if the beneficial owner ceases to be the beneficial owner.

If resident shareholders have not submitted the abovementioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend.

### **Tax implications for non-resident shareholders**

Dividends received by non-resident shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT are subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ('DTA') between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 38.16362 cps. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the abovementioned documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend, if such documents have not already been submitted.

### **Salient dates relating to the final dividend**

Declaration of dividend	19 May 2021
Last day to trade in order to receive distribution (cum-dividend)	Tuesday, 08 June 2021
Shares trade ex-dividend	Wednesday, 09 June 2021
Record date for shareholders to receive dividend	Friday, 11 June 2021
Dividend payment date	Monday, 14 June 2021

Shares may not be rematerialised or dematerialised between commencement of trade on Wednesday, 09 June 2021 and close of trade on Friday, 11 June 2021, both days inclusive.

The above dates and times are subject to change. Any change will be released on SENS.

### **Prospects and guidance**

As the Fund enters FY22, there is a sense of hope as plans for the COVID-19 vaccination programme in South Africa are underway and are well-advanced in Europe. This carries the anticipation of being the "beginning of the end" of the pandemic, and for South Africa, the potential start of an economic recovery. It is expected to take time for the property sector's performance and growth to return to pre-COVID levels and risks to the Fund persist, particularly in South Africa, albeit to a far lesser extent compared to this time last year. The IPF management team has been encouraged by the strength and resilience

that the Fund has displayed through the turmoil of the last year, which resilience can largely be attributed to the quality of the underlying portfolios and strength of the Fund's balance sheet.

South Africa: The short-term economic outlook in South Africa remains muted and the low growth environment is likely to persist for the near term. This backdrop remains an impediment to growth prospects for the local property sector. Rentals will therefore continue to remain under pressure, aggravated by the supply and demand imbalance in the major local sub-markets. FY22 H1 performance is expected to exceed FY21 H1, however, the impact of current leasing activity will only be fully captured in FY22 H2, with vacancy rates expected to reduce over the course of the year. The Fund has 150,000m<sup>2</sup> (14% of total GLA) of expiring space in the coming year, with rental reversions expected to remain similar to the previous two financial years. Management's focus in South Africa is to maintain the stability and quality of the portfolio so that it is well-placed to benefit when the cycle turns.

Europe: European logistics demand showed resilience through the pandemic and has underpinned the Fund's financial performance through the downturn. The outlook for the sector remains positive, driven by persisting structural tailwinds. Thus, growth momentum is likely to be sustained going forward with continued rental growth and yield compression expected. Looking ahead, the Fund will look to unlock earnings and capital growth from the existing development pipeline (c.64,000m<sup>2</sup>) and further reduce vacancy through leasing up assets that are currently undergoing refurbishment works.

Balance sheet: IPF's balance sheet remains strong, with an LTV of 38.3% (post year-end) and all short-term debt expiries adequately covered by committed banking facilities. The management team will continue to explore opportunities to further reduce leverage levels towards the target of 30-35%, whilst ensuring earnings are maintained or enhanced.

Guidance: Given the uncertainty around the pace of economic recovery in South Africa, combined with the level of letting activity required locally, the Board has resolved to defer providing guidance at this stage and will reassess its decision at its interim results in September 2021.

Whilst the performance of REITs is underpinned by the operating climate, it is the quality of IPF's underlying assets, proactive balance sheet management and hands-on asset management approach that will continue to hold the Fund in good stead. These qualities enabled the Fund to navigate the uncertainty of FY21, continue paying dividends and emerge from the crisis with a stronger balance sheet and very focused investment strategy. The management team is excited to build from this solid position and is looking forward to the next few years with cautious optimism.

#### **Financial assistance**

Shareholders are advised that at the annual general meeting of the Fund held on 03 August 2020, shareholders approved and passed a special resolution in terms of Section 45 of the Companies Act No 71 of 2008, as amended ('the Act') authorising the Fund to provide financial assistance to among others, related or inter-related companies of the Fund.

Shareholders are hereby notified that in terms of S45(5)(b) of the Companies Act No 71 of 2008, as amended, the Fund provided financial assistance to its subsidiary, Investec Property Fund Offshore Investments (Pty) Ltd (IPFO) in terms of the Fund's offshore investments held in IPFO, and the Board of Directors of the Fund further authorised the issue of guarantees and suretyships to third parties for finance and other facilities granted by those third parties to wholly-owned subsidiaries of the Company during the period 1 April 2020 to 31 March 2021.

The board has confirmed that, after considering the reasonable foreseeable financial circumstances of the Company, it is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test, as contemplated in terms of Section 4 of the Act, and that the terms under which such financial assistance was given were fair and reasonable to the Company.

#### **Further information**

The directors of IPF are responsible for the preparation and fair presentation of this short-form announcement and its contents.

The reviewed preliminary condensed consolidated financial results for the year ended 31 March 2021 have been reviewed by Ernst & Young Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at our registered office together with the financial statements identified in the auditor's review report.

This short-form announcement is a summary of the information of and does not contain full or complete details, any investment decision should be based on the full announcement available at:

<https://senspdf.jse.co.za/documents/2021/jse/isse/IPF/YE21.pdf> and on the IPF website at: <https://invest.ec/3uZFfrH> under "Financial Results". In addition, copies may be requested via email on: [investecpropertyfund@investec.co.za](mailto:investecpropertyfund@investec.co.za).

The full announcement is available on request at: [investecpropertyfund@investec.co.za](mailto:investecpropertyfund@investec.co.za) from Wednesday, 19 May 2021.

#### **Link to results call**

Participants can register for the results conference call by navigating to <https://www.corpcam.com/IPF19052021>. Please note that only registered participants will receive the dial-in details.

Johannesburg  
19 May 2021

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