Out of the Ordinary®

Investec
Property Fund Limited

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Investec Property Fund delivers a solid performance in a challenging environment

Sectoral and geographical diversification ensures the portfolio delivers through the cycles

Highlights for year ended 31 March 2020

- 3.0% growth in full year earnings available for distribution in line with guidance
- 11.5% increase in NAV driven by re-valuation of PEL portfolio
- Significant offshore transaction activity – R4.3bn deployed during the year, balance sheet now 35% offshore, underpinned by Pan-European logistics
- SA portfolio – like-for-like NPI growth of 0.9%
- PEL platform continues to bolster Group performance – 9% like-for-like NPI growth
- Stable performance from UK Fund – 3.1% like-for-like NPI growth
- Strong cash collection during international lockdowns
- Company well positioned to weather current storm
- Dividend declaration deferred due to COVID-19 uncertainty and prudent cash flow management

Investec Property Fund Limited (IPF or the Fund) is pleased to announce H2 2020 earnings available for distribution of 75.7cps (H2 2019: 73.5cps) representing 3.0% year-on-year growth. Together with the interim financial results, the Fund delivered full year earnings available for distribution of 146.6cps (March 2019: 142.3cps), resulting in growth of 3.0% for the year ended 31 March 2020. Given the operational uncertainties caused by the COVID-19 pandemic and its duration, the Board has decided to defer the declaration of a final dividend, to the extent permissible by JSE regulations, until such time as there is more certainty in the trading environment.

Covid-19 response

In response to the socioeconomic pressures that have arisen as a result of COVID-19, the Fund has implemented relief efforts in key areas where they are able to make an accelerated and meaningful impact. Having a history of SMME support through Izandla and the AMP entrepreneur and supplier development hub, IPF is working on various options in support of the sustainability of small and medium enterprises within its property portfolio. Working alongside its third-party shopping centre and property management companies, IPF is focused on preserving jobs within their organisations and ensuring that cost bases are fully supported. This has been extended throughout the full value chain into the property portfolio, including cleaning and security services companies. In addition, IPF provided financial support to approximately 260 car guards and car washing personnel that operate across the retail portfolio.

To assist Government with their response, IPF have also made four buildings from its portfolio available as quarantine or testing centres.

Outside of the Fund's direct portfolio, IPF has focused their contribution towards food security in vulnerable communities and the provision of PPE, specifically face shields for frontline personnel.

Commenting on the impact of COVID-19, joint CEO Andrew Wooler said, "*COVID-19 has not only exacerbated an already muted South African economy but had a devastating impact on South Africa's most vulnerable. We are committed to doing what we can to help mitigate these impacts both within the property sector and more broadly.*"

Covid-19 impact

The Fund's balance sheet is underpinned by quality real estate investments and a very robust tenant base, with 88% of tenants graded as investment grade or better. Retail, which has been hardest hit by the COIVD-19 pandemic, represents c. 25% of the Fund's balance sheet. Locally, 83% of the Fund's retail tenant base are national retailers. In the UK, where the portfolio is 66% weighted towards retail, more than 50% is underpinned by large national supermarkets. The strength of the tenant base is vital to the long-term sustainability of the business.

"*Through these uncertain times, we continue to be guided by our investment philosophy of ensuring best of breed assets with compelling property fundamentals in targeted sectors and geographies, while focusing on client engagement. These results demonstrate the resilience of that strategy, even as we begin to see the impact of the current COVID-19 crisis on all spheres of business,*" stated joint CEO, Darryl Mayers.

Geographic and sectoral diversification saw the Fund expanding its European platform to deliver on the stated target of at least 20% offshore exposure, as well as extending its diversification into the logistics sector. This has proved to be immediately impactful with strong offshore performance supporting weak domestic returns.

Increased deployment into the European and UK platforms drove the 11.5% increase in NAV during the year while the expansion of the Fund's initial investment into a pan-European logistics, (PEL) portfolio appears well timed, with logistics set to benefit from the accelerated conversion of consumers to online retail and a shift in global supply chains, both of which will lead to an increased demand for good quality logistics space.

"*Operationally, the benefits of our diversification strategy are coming to the fore with the economies of Europe, UK and Australia, showing signs of opening up. As the pandemic continues to evolve however, balance sheet and risk management remains a key focus. To date, the diversified balance sheet has allowed us to deliver returns throughout the cycles, benefitting from higher offshore returns when South Africa has been under economic strain", added Wooler.*

The Fund has seen strong cash collections across all the geographies in which it operates. South Africa, in which the Fund has its highest retail exposure, collected 73% of April rental with the UK, Europe and Australia all recording over 87%. Collections during May are tracking ahead of April, a result of the loosening of the lockdown regulations. The Fund remains acutely aware of the support required by SMME's and has to date provided the majority of rental relief to tenants in this segment.

The Fund's gearing is currently at 47.5%, a temporary increase from September 2019 due to the PEL and Belgian investments during H2 2020. This is expected to normalise to around 34% post the implementation of a de-gearing flightpath which is well underway.

The Group continues to monitor the environment with a focus on reducing balance sheet risk and managing liquidity through the economic volatility. The Fund had R1.5bn of available cash (including guarantees received on asset sales, pending transfer) at year end. Debt maturing over the next 12 months amounts to R0.9bn with refinancing discussions already underway.

South Africa

The South African portfolio remained resilient, delivering sustained positive base net property income growth of 0.9%. The retail sector was the primary contributor to this growth, showing the quality of the Fund's tenant base in a time where retailers have been under significant pressure. An increase in business failures contributed to a constrained net property income growth, as did longer void periods and negative rental reversions across the portfolio.

The Fund's proactive approach to tenant engagement contributed positively to maintaining occupancy levels at very low levels, with a portfolio vacancy of 3.5% (March 2019: 2.4%). Furthermore, actively mitigating leasing risk saw the Fund successfully renewing 92% of space expiring in FY20 with 24% of the 248 046m2 space expiring in FY21 already secured.

International

Europe

Offshore diversification has been a key strategic priority for the Fund during the year.

Activity in Europe and the UK increased the Fund's total offshore exposure to 35% of assets (March 2019: 15.2%). Investments were selected based on underlying asset quality, property fundamentals and skilled management teams with strong track records in their markets.

The completed PEL transaction has been transformative in terms of scale and ability to generate long-term value for shareholders, delivering NPI growth of 9.0% and distributable earnings growth of 8.4% in Euro. The results were underpinned by a very strong leasing performance, with positive reversions of 7.0% achieved across the letting activity. Rental growth has been a key investment driver for the Fund and the results over the last 12 months further support the significant capital deployment into this market.

The UK

IPF acquired an additional 28% interest in the UK Fund during the year, increasing its ownership interest to 38%. The UK Fund delivered base portfolio net property income growth of 3.1% and distributable earnings growth of 1.6% in GBP. As with Europe, the leasing activity underpinned the UK's results, with positive reversions of 29.6% achieved on space relet or renewed and several rent reviews concluded at positive reversions of 53.8%.

The UK Fund also acquired five properties during the year at a blended acquisition yield of 7.1% and increased the Fund's exposure to urban logistics in and around the South East of England.

Australia

Investec Australia Property Fund delivered strong financial results, achieving total distribution per unit (post withholding tax) of AUD8.57cps (March 2019: 9.40cps). The 8.8% reduction is in line with guidance provided due to a change in the distribution policy. NAV per unit increased 1.5% to AUD1.32 (March 2019: AUD1.30). The Australian fund's balance sheet is in a healthy position with gearing reduced to 22.2% (March 2019: 37.4%) and an enhanced debt expiry profile of 7.4 years (March 2019: 3.6 years) with no maturities until FY23.

Outlook

"*The impact of the virus on performance in the coming year is difficult to forecast. While our tenants' ability to trade remains uncertain, the quality and diversity of our investments enhances the Fund's defensive characteristics*," concluded Wooler.

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Notes to the editor

About the Investec Property Fund

Investec Property Fund Limited is a South African Real Estate Investment Trust, having listed on the JSE Limited ("JSE") in 2011 and obtaining REIT status on 1 April 2013. The investment portfolio currently comprises direct and indirect real estate investments in South Africa, Australia, the U.K. and Europe. The direct investments comprise 98 properties in South Africa with a total gross lettable area ('GLA') of 1.2 million m² valued at R16.9bn. The Fund's local investment portfolio also comprises a R0.3bn investment in Izandla Property Fund Proprietary Limited ('Izandla').

The Fund's offshore investments include Investec Australia Property Fund ('IAPF') of R0.7bn, UK Fund ('U.K investment') of R1.1bn, an investment into a Pan-European logistics portfolio of R6.1bn, two direct properties valued at R1.4bn in Belgium and R0.2bn investment into a Pan-European light industrial portfolio providing the Fund with geographic diversification and exposure to quality real estate in developed markets. The objective of the Fund is to optimise capital and income returns over time for shareholders by investing in well priced income producing properties in the office, industrial and retail sectors. Effectively, all rental income, less operating costs and interest on debt, is distributed to shareholders semi-annually. For more about Investec Property Fund please visit: www.investecpropertyfund.com

About the IPF COVID-19 Relief Efforts

IPF, in partnership with Soul Food and Rise Against Hunger Africa, will contribute towards providing 160 000 meals a month for 4 months, primarily in support of school children and students who have been impacted by the national lockdown.

Investec Property Fund and Investec Property are partnering with the University of Johannesburg (UJ) to support the City of Johannesburg by making 6000 face shields available for frontline personnel including: JMPD, Emergency Management Services and, Health Practitioners who screen community members daily as well as the Social Development Teams responsible for food distribution. Support will also be provided to the UJ MakerSpace lab to manufacture face shields for small medical practitioners in the community.

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