

13 August 2020

## **Investec Australia Property Fund (ASX: IAP)**

### **Presentation to the Annual General Meeting**

Attached are copies of the Chairman's address and the CEO's address to be delivered at today's Annual General Meeting of Investec Australia Property Fund, along with the presentation slides.

A link to a recording of today's meeting will be available on the Fund's website following the conclusion of the meeting.

This announcement has been authorised for release by the Company Secretary.

**ENDS**

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### **About Investec Australia Property Fund**

Investec Australia Property Fund is an Australian domiciled fund that is dual listed on the JSE and the ASX. The Fund invests in office, industrial and retail property located in Australia and New Zealand. The Fund is managed by an experienced team of property specialists on the ground in Australia who have an established track record. Investec Australia Property Fund is operated by Investec Property Limited. For more about Investec Australia Property Fund please visit: [www.iapf.com.au](http://www.iapf.com.au).

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## **Annual General Meeting of Investec Australia Property Fund**

### **Chairman's address**

Welcome to the 2020 annual general meeting of Investec Australia Property Fund. I am your chairman, Richard Longes. Investec Property Limited has appointed me to be the chair of this meeting.

We join you today in the midst of an unprecedented global pandemic, the impacts of which have necessitated changes to the way we are holding our AGM.

Therefore today's meeting is being held online via the Lumi platform. This allows unitholders, proxies and guests to attend the meeting virtually. All attendees can listen to a live webcast of the meeting. In addition, unitholders and proxies have the ability to ask questions and submit votes live online via the Lumi platform.

If we experience technical difficulties which result in a large number of unitholders not being able to participate in the meeting we will adjourn the meeting until the problem is resolved. Any procedural updates will be posted on our website. A recording of the AGM will also be available on our website after the meeting.

I am advised by the company secretary that there is a quorum present. Accordingly, I am pleased to declare the meeting officially open.

The notice of meeting was sent to unitholders on 10 July 2020. I propose to take the notice of meeting as read.

Let me now introduce the board of Investec Property Limited, the responsible entity of the Fund. On the line today I have Sally Herman, Hugh Martin, Georgina Lynch, Stephen Koseff and Graeme Katz, the CEO of the Fund. Sam Leon is an apology.

We also have Paul Thomas from KPMG Australia, the Fund's auditor and Tracey Middlemiss from KPMG South Africa, Susan Hilliard from King & Wood Mallesons the Fund's lawyers, Zach McHerron the Fund Manager, Kristie Lenton the CFO, and Lucy Spenceley the Company Secretary.

We have Computershare, our unit registrar in both Sydney and Johannesburg, online to oversee the voting process.

It has been a busy year for the Fund post listing on the ASX in May 2019. In September 2019 the Fund completed the acquisition of three industrial properties for \$81 million and undertook a fully underwritten institutional placement of approximately \$84 million, which was multiple times oversubscribed.

The Fund also completed a restructure of its debt and hedging book, resulting in lower funding costs and increased average weighted debt and hedge expiries. This was largely as a result of securing \$150 million of 10 year fixed term debt at the end of 2019.

Post the Fund's 31 March financial year end, in April 2020 the Fund completed the sale of 757 Ann Street for \$94 million, which reflected an 11% premium to book value. Following the sale of 757 Ann Street, the Fund's gearing was 22.2%, well below the target gearing range of 30-40%.

In October last year, the Fund was also included in the S&P/ASX300 index.

The Fund now has a diversified property portfolio valued at \$1.085 billion and has a balance sheet that puts it in a strong position to deal with the impacts of the current health and economic situation.

The Fund paid a total annualised distribution of 8.88 cents per unit pre-withholding tax for the 2020 financial year which was in line with guidance provided in May 2019. Funds from operations and adjusted funds from operations were 9.78 cents per unit and 9.17 cents per unit on an annualised basis, both ahead of guidance given to the market.

The Fund remains focused on seeking out value and focusing our efforts on acquiring properties in established office and industrial precincts supported by key infrastructure and where the Fund can optimise returns through active asset management. In addition, as businesses navigate a new way of working, understanding new work practices and utilisation of space will be important to the continued success of the Fund and is a key focus for management. In this regard, the Fund's management team have been working closely with tenants to assist them as they manage their businesses through the COVID-19 pandemic.

In June this year the Fund announced that it had commenced early stage discussions with the Investec Group to internalise management.

In the view of the Independent Directors internalisation has a number of benefits including increased alignment of interests, enhanced corporate governance, retention of both the existing management team and the key strategic objectives. The discussions are continuing and the Independent Directors currently expect to provide an update to the market prior to the half year results in October. Any proposal would be subject to unitholder approval.

Before I hand over to Graeme to discuss the Fund's performance in more detail, I would like to thank my fellow board members and the management team for their contribution to the continued success of the Fund.

I will now hand over to Graeme and then come back to you for any questions and the formal part of the meeting.

### **CEO's address**

Thank you Richard.

I would also like to welcome you all to the 2020 annual general meeting of Investec Australia Property Fund.

Today I'm going to touch briefly on the current market conditions we find ourselves in as a result of the COVID-19 pandemic, and then talk to some highlights of the Fund's operational performance for the financial year ended 31 March 2020.

The world continues to be severely impacted by the COVID-19 pandemic and there remains a high degree of uncertainty in both the global and local markets. After the initial lockdown in Australia earlier in the year, we saw life slowly get back to a level of normality, which was mirrored to an extent in the Australian economy. However, in the last month we have seen an increase in COVID-19 cases in Australia, particularly in Victoria, the broader impact of which remains to be seen. There is however no doubt that there will be further social and economic impacts from the COVID-19 pandemic for at least the balance of this year.

Overall the Australian REIT market has been hit hard by the COVID-19 pandemic, particularly the retail sector where social distancing measures have severely impacted foot traffic. Since the height of the lockdown in March/April we have seen REIT performance improve. However the impact of recent local COVID-19 cases is creating significant uncertainty as we enter the third quarter of the year.

In the property markets we are expecting to see strong headwinds in the office and retail spaces with industrial assets looking more attractive. We are already seeing more sub lease space come into CBD office markets which will no doubt put some pressure on rents and incentive levels, albeit we have limited exposure to the CBD's and offer affordable accommodation solutions to our tenants.

Richard touched on the Fund's financial performance for the financial year ended 31 March 2020, which was in line with expectations. The strong financial result was underpinned by:

- a portfolio of quality assets;
- active asset management; and
- effective capital management.

Our focus remains on identifying quality assets that deliver affordable occupancy solutions for tenants that are located near critical infrastructure.

The portfolio is in a sound position with:

- a weighted average capitalisation rate of 6.57%;
- occupancy sitting at 99% by income;
- no individual tenant accounting for more than 4.5% of income;
- a WALE of 4.5 years; and
- contracted annual escalations across the portfolio of approximately 3.3%.

From an operational perspective during this period of uncertainty the key focus for the Fund has been active engagement with tenants in an effort to understand the impact to their business and ways to support those tenants most impacted. We have worked with tenants on a case by case basis and have reached rental support arrangements with a number of them. Pleasingly, for the months April – July 2020 rent collection has ranged between 97% and 99%.

In addition the management team continue to proactively manage and engage with tenants with an ongoing focus on early renewal of leases. This resulted in 64,335m<sup>2</sup> of space being contracted by way of signed leases or heads of agreement in FY20, notwithstanding only 19,082m<sup>2</sup> of space was either vacant at the start of the financial year or expiring during it. We have also had a pleasing start to FY21 with a number of leasing deals being concluded.

Effective capital management has also been a key focus, with the Fund reducing gearing from 37.4% as at 31 March 2019 to 22.2% as at 31 March 2020. The weighted average debt expiry of the Fund now stands at 7.4 years, up from 3.6 years at the start of the financial year. The successful restructure of the Fund's debt and hedge book has lowered funding costs from 3.75% to 3.05%.

Further to Richard's earlier comments, I would also like to acknowledge the contribution and efforts of the management team and the board to the continued success of the Fund.

Thank you for your time today and I'll now hand back to Richard to conduct the formal business of today's meeting.