Investec Australia Property Fund
Registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered in terms of the Collective Investment Schemes Control
Act No. 45 of 2003
Share code: IAP
ISIN: AU60INL00018

2017
Interim results
Condensed consolidated
financial results

Highlights

Interim distribution

4.95 cpu pre WHT
Growth of 3.0%

3% - 4%
FULL YEAR GROWTH
GUIDANCE
maintained

6.4x*
ASSET GROWTH SINCE
LISTING
portfolio of 25 quality properties

4.6 years*
WALE
47% of leases expiring
after five years

Valuable platform
comprising
25 properties
supported by strong
underlying property
fundamentals and
an established track
record of delivering
on strategic
objectives

Portfolio now of
a scale where an
ASX listing can be
considered

AUD831.7mn*
PORTFOLIO VALUE
growth through acquisition and
valuation uplift

98.4%*
OCCUPANCY RATE
3.8% improvement since
31 March 2017

5.8%
NAV PER UNIT GROWTH

driven by revaluation uplift

3.61%^
ALL IN FUNDING RATE
strong balance sheet management
88% hedged for 7.2 years

* Includes acquisition of 6 - 8 and 11 Siddons Way, Hallam post-balance sheet date for AUD22.0mn which settled on 18 October 2017.
^ Includes AUD50.0mn forward starting swaps which commenced in October 2017.

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2017

AUD'000	Reviewed six months to 30 September 2017	Reviewed six months to 30 September 2016	Audited year ended 31 March 2017
Revenue, excluding straight-line rental revenue adjustment	34 805	23 972	51 705
Straight-line rental revenue adjustment	1 942	1 429	2 793
Revenue	36 747	25 401	54 498
Property expenses	(6 100)	(3 783)	(8 408)
Net property income	30 647	21 618	46 090
Other operating expenses	(2 746)	(1 830)	(4 319)
Operating profit	27 901	19 788	41 771
Fair value adjustments - investment property	26 925	10 015	11 419
Fair value adjustments - interest rate swaps	586	(5 723)	2 226
Finance costs	(4 737)	(3 094)	(7 100)
Finance income	40	44	106
Other income	12	-	320
Total comprehensive income attributable to equity holders	50 727	21 030	48 742

Distribution reconciliation

AUD'000	Reviewed six months to 30 September 2017	Reviewed six months to 30 September 2016	Audited year ended 31 March 2017
Total comprehensive income for the period	50 727	21 030	48 742
Less: Straight-line rental revenue adjustment	(1 942)	(1 429)	(2 793)
Fair value adjustments - investment property	(26 925)	(10 015)	(11 419)
Fair value adjustments - interest rate swaps	(586)	5 725	(2 226)
Other	(5)	-	-
Antecedent distribution	-	199	4 660
Distribution pre-withholding tax	21 269	15 510	36 964
Withholding tax paid/payable to the Australian Taxation Office	(1 342)	(547)	(1 982)
Interim/final distribution post-withholding tax	19 927	14 963	34 982
Number of units			
Units in issue at the end of the period ('000)	429 265	322 359	435 588
Weighted average number of units in issue for the period ('000)	434 055	318 121	323 342
Cents			
Distribution per unit (pre-withholding tax)	4.95	4.81	9.74
Distribution per unit (post-withholding tax)	4.64	4.64	9.24

Condensed consolidated statement of financial position
As at 30 September 2017

AUD'000	Reviewed as at 30 September 2017	Audited as at 31 March 2017

ASSETS

Non-current assets	811 602	780 626
Investment property	809 740	779 350
Financial instruments held at fair value - interest rate swaps	1 862	1 276
Current assets	7 306	5 906
Cash and cash equivalents	2 931	4 116
Trade and other receivables	4 375	1 790
Total assets	818 908	786 532
EQUITY AND LIABILITIES		
Unitholders' interest	527 136	505 668
Contributed equity	458 888	466 879
Retained earnings	68 248	38 789
Non-current liabilities	263 998	255 876
Long-term borrowings	258 355	248 005
Trade and other payables	5 643	7 871
Current liabilities	27 774	24 988
Trade and other payables	6 505	3 532
Distributions payable	21 269	21 456
Total equity and liabilities	818 908	786 532
NET ASSETS	527 136	505 668
Units in issue at end of period ('000)	429 265	435 588
Net asset value per unit (cents)	122.80	116.09

Condensed consolidated statement of cash flows
For the six months ended 30 September 2017

AUD'000	Reviewed six months to 30 September 2017	Reviewed six months to 30 September 2016	Audited year ended 31 March 2017
Cash generated from operations	24 547	16 827	40 376
Finance income received	40	44	106
Finance costs paid	(4 571)	(3 116)	(6 589)
Distributions paid to unitholders	(21 456)	(14 321)	(29 977)
Net cash flow from/(used in) operating activities	(1 440)	(566)	3 916
Cash flows (used in) investing activities			
Investment property acquired	(1 955)	(29 911)	(268 453)
Net cash flow (used in) investing activities	(1 955)	(29 911)	(268 453)
Cash flows from financing activities			
Borrowing raised	20 200	23 407	112 143
Repayment of loans	(10 000)	(2 000)	(6 000)
Proceeds from issue of units	(7 000)	11 809	162 580
Payment of transaction costs related to the issue of units	-	-	(1 178)
Net cash inflow from financing activities	2 210	33 216	267 545
Net (decrease)/increase in cash and cash equivalents	(1 185)	2 739	3 008
Cash and cash equivalents at the beginning of the period	4 116	1 108	1 108
Cash and cash equivalents at the end of the period	2 931	3 847	4 116

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2017

AUD'000	Reviewed six months to 30 September 2017	Reviewed six months to 30 September 2016	Audited year ended 31 March 2017
At the beginning of the period	505 668	332 487	332 487
Total comprehensive income	50 727	21 030	48 742
Transactions with unitholders in their capacity as unitholders:			
Issue of ordinary units	(7 990)	12 010	161 043
Distributions paid/payable to unitholders	(21 269)	(15 510)	(36 965)
Balance at the end of the period	527 136	350 017	505 668

Condensed segmental information

For the six months to 30 September 2017

AUD'000	Office	ndustrial	Total
Condensed statement of comprehensive income			
Revenue, excluding straight-line rental revenue adjustment	26 345	8 460	34 805
Straight-line rental revenue adjustment	1 465	477	1 942
Property expenses	(5 200)	(900)	(6 100)
Net property income	22 610	8 037	30 647
Straight-line rental revenue adjustment	(1 465)	(477)	(1 942)
Capital expenditure	(1 523)	-	(1 523)
Net investment property revaluation	28 140	2 250	30 390
Total segment results	47 762	9 810	57 572
Other operating expenses			(2 746)
Net finance costs			(4 111)
Other income			12
Profit for the period			50 727
Condensed statement of financial position			
Investment property balance as at 1 April 2017	597 151	182 199	779 350
Capital expenditure	1 523	-	1 523
Straight-line rental revenue receivable	1 465	477	1 942
Fair value adjustments	25 153	1 772	26 925
Investment property at 30 September 2017	625 292	184 448	809 740
Other assets not managed on a segmental basis			9 168
Total assets at 30 September 2017			818 908

For the six months to 30 September 2016

AUD'000	Office	Industrial	Total
Condensed statement of comprehensive income			
Revenue, excluding straight-line rental revenue adjustment	16 796	7 176	23 972
Straight-line rental revenue adjustment	936	493	1 429
Property expenses	(2 952)	(831)	(3 783)
Net property income	14 780	6 838	21 618
Straight-line rental revenue adjustment	(937)	(492)	(1 429)
Acquisition cost and capital expenditure	(6 647)	(9)	(6 656)
Net investment property revaluation	14 900	3 200	18 100
Total segment results	22 096	9 537	31 633
Other operating expenses			(1 830)
Net finance costs			(8 773)
Profit for the period			21 030
Condensed statement of financial position			
Investment property balance as at 1 April 2016	336 250	157 600	493 850
Net additions, acquisitions and disposals	24 637	-	24 637
Capital expenditure	5 265	9	5 274
Straight-line rental revenue receivable	937	492	1 429
Fair value adjustments	7 316	2 699	10 015
Investment property at 30 September 2016	374 405	160 800	535 205
Other assets not managed on a segmental basis			5 343
Total assets at 30 September 2016			540 548

Notes to the reviewed condensed
consolidated financial results
For the six months ended 30 September 2017

AUD'000	Reviewed six months to 30 September 2017	Reviewed six months to 30 September 2016	Audited year ended 31 March 2017

1. Headline earnings reconciliation

Total comprehensive income for the period	50 727	21 030	48 742
Less: Fair value adjustments - investment property	(26 925)	(10 015)	(11 419)
Other	(5)	-	-
Basic and diluted headline earnings	23 797	11 015	37 323
Basic and diluted earnings per unit (cents)	11.69	6.61	15.07
Basic and diluted headline earnings per unit (cents)	5.48	3.46	11.54

2. Financial instruments

Financial instruments held at fair value include interest rate swaps. Interest rate swaps are classified as level 2 in the fair value hierarchy. These are valued using valuation models which use market observable inputs such as quoted interest rates. No other financial instruments are carried at fair value. There have been no transfers between hierarchy levels. Cash and cash equivalents, trade and other payables and long-term borrowings are measured at amortised cost. In all cases the amortised cost approximates fair value.

For the period ended 30 September 2017

	Measured at fair value			
AUD'000	Level 1	Level 2	Level 3	Total gain or (loss) in the period in the profit or loss
Interest rate swaps	-	1 862	-	586
Total financial instruments measured at fair value	-	1 862	-	586

For the period ended 30 September 2016

	Measured at fair value			
AUD'000	Level 1	Level 2	Level 3	Total gain or (loss) in the period in the profit or loss
Interest rate swaps	-	(6 674)	-	(5 723)
Total financial instruments measured at fair value	-	(6 674)	-	(5 723)

3. Fair value of investment property

The Fund's policy is to value properties at each reporting period, with independent valuations obtained on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer (in compliance with the Fund's debt facility). At other times where directors' valuations are performed, the valuation methods include the discounted cash flow ("DCF") method and income capitalisation method.

Independent revaluations were performed at half-year end with reference to independent external valuations and directors' valuations. In aggregate, fair value contributed AUD30.39mn to the value of the portfolio.

Fair value hierarchy - investment property

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Properties are valued under the income capitalisation method and discounted cash flow method.

Under the income capitalisation method a property's fair value is estimated on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

For the period ended 30 September 2017

	Measured at fair value		
AUD'000	Level 1	Level 2	Level 3
Total assets			
Investment Property balance 1 October 2016	-	-	535 205

Acquisitions	-	-	226 000
Acquisition costs and capital expenditure	-	-	16 900
Straight-line rental receivable	-	-	3 306
Net fair value adjustments	-	-	28 329
Total non-financial assets measured at fair value	-	-	809 740

For the period ended 30 September 2017

AUD'000	Level 1	Level 2	Level 3
Total gain or (loss) in the period in the comprehensive income			
Straight-line rental revenue adjustment	-	-	(1 942)
Acquisition cost and capital expenditure	-	-	(1 523)
Net investment property valuation	-	-	30 390
Total fair value adjustment - investment property	-	-	26 925

a. Details of changes in valuation techniques
There have been no significant changes in valuation techniques during the year under review.

b. Significant transfers between level 1, level 2 and level 3
There have been no transfers between hierarchy levels.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

AUD'000	Reviewed six months to 30 September 2017	Reviewed six months to 30 September 2016	Audited year ended 31 March 2017
Gross investment property fair value adjustment	30 390	18 100	36 245
Less: Straight-line rental revenue adjustment	(1 942)	(1 429)	(2 793)
Acquisition costs and capital expenditure	(1 523)	(6 656)	(22 033)
Total fair value adjustment - investment property	26 925	10 015	11 419
Fair value adjustment on interest rate swap	586	(5 725)	2 226
Other	5	-	-
Net fair value adjustments	27 516	4 290	13 645

4. Related party transactions
During the six months under review, there were no unusual related party transactions. All related party transactions were in the ordinary course of business and were consistent with those reported in the previous set of annual financial statements.

5. Subsequent events
On 18 October 2017 the Fund completed the acquisition of 6 - 8 and 11 Siddons Way, Hallam. The acquisition was funded with debt using the Fund's existing debt facilities. The acquisition increased the portfolio value to AUD831.7mn and gearing to 33.8%.

The Fund has entered into interest rate swap contracts for AUD50.0mn which commenced in October 2017.

Commentary

Introduction
Investec Australia Property Fund ("Fund") is the first inward-listed Australian REIT on the JSE Limited ("JSE"). It is an income-producing fund that operates in a stable and developed market.

The Fund aims to maximise sustainable returns to unitholders by investing in quality office, industrial and retail properties in Australia and New Zealand, giving unitholders exposure to the Australian and New Zealand real estate markets. Since listing in October 2013, the Fund has delivered consistent distribution growth to unitholders whilst growing the property portfolio by 6.4 times. As at the date of this announcement the Fund comprises 25 properties with a total gross lettable area of 246 024m2* and a portfolio value of AUD831.7mn*. The Fund has built a valuable platform that would be very difficult to replicate given current direct asset pricing and the continuing flow of offshore capital.

The Fund's strategy of acquiring properties with manageable risk, such as vacancy and/or capital expenditure requirements, has allowed the Fund to extract additional value for unitholders through enhancing yield and achieving capital uplift, reflected in an increase in net asset value of 5.8% for the six months to 30 September 2017. This is an extremely strong result and justifies the Fund's strategy of investing more recently in suburban office markets, particularly in New South Wales.

Management continues to believe that the case for investing in good quality investment properties in Australia and New Zealand remains attractive for South African investors given the Fund's current equity yield of 8.2%^, which is underpinned by the region's favourable macro-economic conditions, property yield spread over historically low funding costs locked in and income returns in a hard currency.

Market commentary

The Reserve Bank of Australia in its October 2017 statement on monetary policy noted that the Australian economy expanded by 0.8% in the June quarter. This, together with other relevant data, is consistent with the Bank's expectation that growth in the Australian economy will gradually pick up over the coming year. There has now been 26 years of uninterrupted GDP growth in Australia. Business surveys that reflect a high level of confidence and a large pipeline of infrastructure investment, particularly in the eastern states, support this outlook. The economy appears to be locked in a low inflation environment squeezed between competitive pricing on consumer goods and modest inflation around health and housing. There is increased positivity on the domestic outlook, particularly with regards to the rebalancing towards non-mining business investment, where continued monetary policy support is expected to ease this transition. Spare capacity in the labour market, low wage growth combined with high household debt levels and the desire for a lower currency are supporting the view that rates will remain unchanged for the foreseeable future.

The growth in white collar employment driven largely by the strength of professional services and the IT sector has seen an improvement in the office markets nationally. JLL have reported that all six state capital CBD markets recorded positive net absorption for the first time since 2011. New South Wales has solidly held the position as the best performing economy, at or near the top of all indicators with growth of 1.2% q-q. Victoria has seen growth of 1.3% q-q, while the drag from the fall in mining investment has largely passed, with Queensland benefiting from firmer tourism, exports and housing activity. Investment and population growth have the potential to drive further broader improvement. Office markets continue to improve as expected, driven by Sydney and Melbourne which has experienced positive net absorption of 61 400m2 for the year to date. Brisbane recorded its 10th consecutive quarter of positive demand and Perth continues to show signs of improvement, with rental growth becoming less negative. Notably, cap rates have continued to firm over the last six months, with prime office cap rates declining by circa. 40bps in Sydney and Melbourne.

With population growth remaining strong and wage growth appearing at the bottom of the trough, retail spending should increase but the impact of online retail and the pending arrival of Amazon leaves a question mark over retail sector growth. While retail trade is down, there has been strong take-up rates from industrial occupiers with Sydney and Melbourne running above long-term trends. Online retailing has seen strong growth in third party logistics while manufacturing is currently experiencing a cyclical improvement.

The housing market conditions vary considerably across the country, with strong price growth in New South Wales and Victoria, contrasted with softer pricing in the western and southern states. The large supply of apartments coming on stream together with the tightening of lending criteria should see the markets ease off their highs. With higher stock levels of new apartments the rental increases remain low. The market appears to be self-regulating with finance constraints helping to control supply pipelines, resulting in a soft landing for the housing market.

* Includes acquisition of 6 – 8 and 11 Siddons Way, Hallam post-balance sheet date for AUD22.0mn which settled on 18 October 2017.

^ As at 3 November 2017.

Financial results

The board of directors of Investec Property Limited ("IPL"), the Responsible Entity of the Fund, is pleased to announce an interim distribution of 4.95 cents per unit pre-withholding tax ("WHT") and 4.64 cents per unit post WHT for the six months to 30 September 2017 (30 September 2016: 4.81 cents per unit pre WHT and 4.64 cents per unit post WHT). This represents growth of 3.0% pre WHT and 0.0% post WHT for the half year. The lower growth rate in the post WHT distribution is largely related to tax losses being claimed in the September 2016 distribution, along with tax deductions claimed in relation to incentives paid in the prior half year period. Guidance for the full year is maintained in the range of 3.0% to 4.0% pre WHT.

Distribution growth (pre-withholding tax)

First half

Cents per unit

2016	2017	2018
12.7%	6.0%	3.0%

Second half

Cents per unit

2014	2015	2016	2017

Maiden distribution	9.1%	11.5%	6.4%

Full year
Cents per unit

2015	2016	2017
7.6%	12.1%	6.2%

The performance of the Fund is a result of the successful implementation of the Fund's strategy, namely:
- delivering stable income growth;
- engaging in active property management; and
- efficiently managing the balance sheet and interest rates.

Properties

Strategy

The Fund is committed to providing unitholders with sustainable income coupled with valuation uplift. The Fund has successfully built a quality portfolio with a proven ability to execute yield-enhancing acquisitions and deliver strong returns supported by a stable underlying base portfolio.

The Fund continues to actively pursue the acquisition of properties with manageable risk, such as vacancy and/or capital expenditure requirements. In addition, the Fund has also been evaluating acquisition opportunities that seek to enhance the WALE of the Fund to continue to provide investors with stable long-term income. The acquisition of 6 - 8 and 11 Siddons Way, Hallam post 30 September 2017 is an example of this strategy.

The investment market in Australia remains competitive with no sign of offshore capital flows diminishing, despite capital flow restrictions imposed by China. As a result of this, direct asset pricing is still strong and the Fund has had to remain disciplined to ensure that the quality of the portfolio is maintained. Since 31 March 2017, the Fund has bid on approximately AUD850.0mn of properties, with only AUD22.0mn deployed into the acquisition of 6 - 8 and 11 Siddons Way, Hallam. The Fund has therefore taken the opportunity to further explore the New Zealand market (for which it has a mandate) and has also looked at other means to efficiently deploy capital, such as a buy back of units (see ‘Capital and risk management' below).

Acquisitions

The Fund is committed to acquiring quality properties with strong underlying property fundamentals whilst also identifying opportunities to enhance yield and add value through active asset management. Post 30 September 2017, the Fund completed the acquisition of 6 - 8 and 11 Siddons Way, Hallam.

Property name	Geography	Effective date	Sector	Value (AUD'000)	GLA (m2)	Yield (%)	WALE (years)
6 - 8 and 11 Siddons Way, Hallam	Melbourne, VIC	18/10/2017	Industrial	22 000	15 504	6.3	7.8

Valuation

The Fund's policy is to value properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least every 24 months by an independent external valuer (in compliance with the Fund's debt facility). At other times where directors' valuations are performed, the valuation methods include using the discounted cash flow model and capitalisation model.

During the six months to 30 September 2017, the Fund obtained external valuations for three properties. For all other properties directors' valuations were performed. In aggregate, revaluations contributed AUD30.39mn to the value of the portfolio, which represents an increase of 3.9% in the six months since 31 March 2017. The majority of this uplift was attributable to the Fund's metropolitan office properties, which validates the Fund's adjusted strategy to increase its exposure to this sector, particularly in Sydney and Melbourne.

Net asset value growth of 5.8% was achieved for the six months to 30 September 2017, largely attributable to the revaluation of properties.

Geographical spread*

Post 30 September 2017, the Fund completed the acquisition of 6 - 8 and 11 Siddons Way, Hallam. This increased the Fund's exposure to Victoria. The Fund's exposure to the two best performing economies of New South Wales and Victoria is now 64% by asset value (30 September 2016: 51%).

GLA		Asset value		Revenue	
ACT	12%	ACT	8%	ACT	10%

NSW	40%	NSW	45%	NSW	43%
QLD	19%	QLD	24%	QLD	27%
SA	3%	SA	1%	SA	1%
WA	9%	WA	3%	WA	3%
VIC	17%	VIC	19%	VIC	16%

Sectoral spread*

The Fund has maintained its bias towards metropolitan office markets, with the Fund's exposure to this sector increasing to 74% (30 September 2016: 73%).

GLA		Asset value		Revenue	
Office	47%	Office	75%	Office	74%
Industrial	53%	Industrial	25%	Industrial	26%

Leasing activity

At the date of this report, the portfolio is 98.4% occupied by revenue, an improvement from 94.6% at 31 March 2017. The vacancy largely comprises acquired vacancy at 324 Queen Street in Brisbane, which has taken longer than expected to lease up but is starting to gain momentum, particularly the newly refurbished suites which are market-leading in terms of quality and occupier amenity.

Since 31 March 2017, the Fund has leased 5 656m2 of vacant space leaving vacancy of only 3 206m2. Of particular note was the letting of 3 742m2 at Elizabeth Street in Melbourne, which became vacant in March 2017 as a result of the previous tenant being placed in liquidation. The Fund has also entered into signed heads of agreement over a further 961m2.

The Fund has also focused on tenant retention and has enjoyed significant success in this regard since 31 March 2017. The Fund has been able to secure the renewal of leases over 7 774m², with a further 11 304m² currently subject to signed heads of agreement. Of the 11 304m2 subject to heads of agreement, 1 934m2 relates to vacancy in FY19, 6 370m2 relates to vacancy in FY20 and 3 000m2 relates to vacancy in FY21. Management is committed to managing upcoming vacancy and is actively engaged with all of the Fund's tenants on a regular basis in this regard.

Since 31 March 2017, the Fund completed the following leasing transactions:

Signed leases	GLA	WALE	Escalations
Replacement leases/renewals			
Office	7 774	8.4	3.62%
Letting of vacancy			
Office	5 656	4.1	3.60%
Total	13 429	6.7	3.61%

Signed HOAs	GLA	WALE	Escalations
Replacement leases/renewals			
Office	11 304	6.5	3.59%
Letting of vacancy			
Office	961	5.7	3.54%
Total	12 265	6.4	3.58%
Total	25 694	6.6	3.60%

* Includes acquisition of 6 - 8 and 11 Siddons Way, Hallam post-balance sheet date for AUD22.0mn which settled on 18 October 2017.

The Fund's lease expiry profile at the date of this report remains strong with a weighted average lease expiry of 4.6 years by revenue with 47% of leases expiring after five years. The lease expiry profile reflects the quality and sustainability of the Fund's net property income. The majority of the Fund's near term expiry is concentrated in New South Wales which continues to show strong rental growth.

Lease expiry profile*

Percentage

Vacant	
by area	1
by revenue	2
2018	
by area	1
by revenue	3
2019	
by area	1
by revenue	2
2020	
by area	19
by revenue	18
2021	
by area	13
by revenue	16
2022	
by area	13
by revenue	13
2023	
by area	15
by revenue	16
2024	
by area	1
by revenue	1
2025	
by area	10
by revenue	16
2026	
by area	12
by revenue	5
2027	
by area	3
by revenue	2
Beyond 2027	
by area	11
by revenue	6

Capital and risk management
The Fund's gearing ratio as at 30 September 2017 was 32.0% (33.8% following the acquisition of 6 - 8 and 11 Siddons Way, Hallam). The Fund's long-term strategy is to maintain gearing between 35% and 40%, however, the Fund will manage gearing levels to take advantage of attractive acquisition opportunities. The weighted average maturity of the Fund's debt is 3.3 years and the Fund has fixed 87.7% of its interest rate exposure for a weighted term of 7.2 years at a rate of 2.43%. The Fund's all in cost of funding is currently 3.61%. During the period, the Fund bought back 1.5% of the units on issue at an average price of ZAR12.99, reflecting an implied yield of approximately 8.0% and which represents relative value compared to where direct assets have been trading.

Australian REIT structure
The Fund allows for the tax efficient flow-through of net income to unitholders. The Fund is an uncapped and open-ended fund and existing and future unitholders will hold a participatory interest in the Fund, which entitles unitholders to a pro rata share of the underlying income generated by the Fund and a pro rata beneficial interest in the assets of the Fund. The Fund is registered as a Managed Investment Scheme in Australia. The Fund is governed and operated by IPL as Responsible Entity, and is managed by Investec Property Management Pty Limited.

Unitholders
At 30 September 2017, Investec Property Fund Limited and Investec Bank Limited are the only unitholders holding in excess of 5% of the Fund's total issued units, holding 23.15% and 16.68% respectively.

Number of units in issue	429 264 711
Number of unitholders	5 033

Changes to the board
There have been no changes to the board of IPL during the period.

* Includes acquisition of 6 - 8 and 11 Siddons Way, Hallam post-balance sheet date for AUD22.0mn which settled on 18 October 2017.

Prospects
The Fund is well positioned to deliver long-term sustainable income and capital growth to investors through the acquisition and efficient management of quality properties and conservative capital and risk management.

Distribution growth guidance for the full year is maintained at 3.0% to 4.0% pre WHT as previously indicated, provided there are no material changes to the underlying portfolio or other events that could impact growth.

The information and opinions contained above are recorded and expressed in good faith and are based upon sources believed to be reliable. No representation, warranty, undertaking or guarantee of whatever nature is made or given concerning the accuracy and/or completeness of such information and/or the correctness of such opinions.

Any reference to future financial information included in this announcement has not been reviewed or reported on by the Fund's independent auditors.

On behalf of the board of Investec Property Limited as Responsible Entity for Investec Australia Property Fund.

Richard Longes	Graeme Katz
Chairman	Chief Executive Officer

14 November 2017

Basis of accounting
The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council.

The accounting policies applied in the preparation of these reviewed interim condensed consolidated financial results are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

Review conclusion
The reviewed interim condensed consolidated financial statements for the period ended 30 September 2017 have been reviewed by KPMG Inc, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at IPL's registered office.

The auditor's report does not necessarily report on all of the information contained in these financial results. Unitholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from IPL's registered office.

Interim distribution
Notice is hereby given of an interim distribution declaration number 8 of:

- 4.95467 AUD cents per unit pre WHT; and
- 4.64211 AUD cents per unit post WHT,

for the six months ended 30 September 2017. Withholding tax of 0.31256 AUD cents per unit will be withheld from the distribution paid to non-Australian unitholders. This is regarded as a foreign distribution for South African unitholders and a local distribution for Australian resident investors.

The salient dates relating to the distribution are as follows:

	2017
Exchange rate to convert the distribution to Rand	Tuesday, 28 November
Last day to trade cum distribution	Tuesday, 5 December
Units to trade ex distribution	Wednesday, 6 December
Distribution amount transferred to South Africa	Friday, 8 December
Record date	Friday, 8 December
Distribution posted/paid to certificated unitholders and accounts credited by CSDP or broker to dematerialised unitholders	Monday, 11 December

Units may not be dematerialised or rematerialised between commencement of trade Wednesday, 6 December 2017 and close of trade on Friday, 8 December 2017.

The Board is considering a distribution re-investment alternative in which a unitholder would be entitled to re-invest the cash distribution in return for units in the Fund, failing which they will receive the cash distribution in respect of all or part of their unit holding. A further announcement will be made in this regard on/before Tuesday, 28 November 2017.

Total distribution rate: 4.95467 AUD cents per unit

	Cents per unit
Fund payment	2.07871
Interest income	0.00754
Tax deferred	2.86842
	4.95467

This distribution includes a "Fund Payment" amount of 2.07871 AUD cents per unit, pursuant to Subdivision 12-H of Schedule 1 of the Taxation Administration Act 1953 and relates to the period ending 30 September 2017.

The Fund declares that it is a managed investment trust for the purposes of 12-H of Schedule 1 of the Taxation Administration Act 1953, in respect of the income year ended 31 March 2018. The proportion of the payment in respect of the year ending 31 March 2018 which is attributable to a fund payment from a clean building managed investment trust is nil cents per unit.

The above information has been included in the notice solely to assist other entities with Australian withholding tax obligations that may arise in respect of any amounts distributed to non-Australian residents.

Tax implications

The Fund and its management arrangements are structured to meet the required criteria to be classified as a Managed Investment Trust for Australian tax purposes. As a Managed Investment Trust, the responsible entity will be required to withhold tax in Australia at a concessional rate of 15% on distributions to individual and institutional unitholders in South Africa. However, the effect of this tax on the Fund's distribution for the period from 1 April 2017 to 30 September 2017 has been reduced to 6.30841%, equivalent to 0.31256 AUD cents per unit, through certain deductions such as depreciation. Thus, withholding tax of 0.31256 AUD cents per unit will be withheld from the distribution accruing to unitholder and will be paid to the Australian Taxation Office.

The distribution is not subject to dividend withholding tax in South Africa. The distribution, net of withholding tax, received by South African institutional and individual unitholders will constitute income and will be subject to income tax in South Africa at the Unitholder's marginal tax rate. Tax paying unitholders will be able to claim a rebate against the withholding tax paid in Australia. Non-tax paying unitholders will not be entitled to claim a rebate.

The above summary of the tax treatment of the foreign distribution does not constitute legal or tax advice and is based on taxation law and practice at the date of this circular. Unitholders should take their own tax advice as to the consequences of their investment in the Fund and are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

By order of the board

Investec Property Limited
Company Secretary

14 November 2017

Company Information

Directors of the responsible entity
Richard Longes# (Non-executive chairman)

Stephen Koseff (Non-executive)
Graeme Katz (Executive)
Samuel Leon (Non-executive)
Sally Herman# (Non-executive)
Hugh Martin# (Non-executive)

Independent

Directors of the manager
Graeme Katz (Executive)
Zach McHerron (Executive)
Kristie Lenton (Executive)
Samuel Leon (Non-executive)

Investec Australia Property Fund
Registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered in terms of the Collective Investment Schemes Control
Act No. 45 of 2003
Share code: IAP
ISIN: AU60INL00018

Company secretary of the
responsible entity
Paul Lam-Po-Tang (BCom, LLB)

Registered office and postal address
of the responsible entity and date of
establishment of the Fund
AUSTRALIA:
Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

LOCAL REPRESENTATIVE OFFICE:
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

Responsible entity
Investec Property Limited
(ACN 071 514 246 AFSL 290 909)
Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Manager
Investec Property Management Pty Limited
(ACN 161 587 391)
Level 23, Chifley Tower
2 Chifley Square
Sydney
New South Wales
2000
Australia

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
(PO Box 61051, Marshalltown, 2107)
Phone: +27 11 370 5159

Sponsor
The Corporate Finance division of Investec Bank Limited
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196
(PO Box 785700, Sandton, 2146)

Custodian
Perpetual Corporate Trust Limited
(ACN 000 341 533)
Level 12, 123 Pitt Street
Sydney
New South Wales
2000
Australia

Established on 12 December 2012 in Sydney, Australia. Registered as a Managed Investment Scheme with ASIC under the Corporations Act 2001 on 6 February 2013. On 23 August 2013, the Registrar of Collective Investment Schemes authorised the Fund to solicit investments in the Fund from members of the public in the Republic of South Africa in terms of section 65 of the Collective Investment Schemes Control Act, 45 of 2002, as amended.