

Investec Australia Property Fund (ASX: IAP)

ASX release

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.

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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.

Annual General Meeting of Investec Australia Property Fund

Chairman's Address

Welcome to the annual general meeting of Investec Australia Property Fund, the first as a dual listed fund on both the Johannesburg Stock Exchange and the Australian Securities Exchange. I am your chairman, Richard Longes.

Please note that today's meeting is being held here in Sydney with a video conference link to Johannesburg. A recording of today's meeting will be available on the Fund's website following the conclusion of 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 3 May 2019 and a supplementary notice of meeting was sent to unitholders on 8 July 2019. I propose to take the consolidated notice of meeting as read.

Let me first introduce the board of Investec Property Limited, the responsible entity of the Fund. In South Africa we have Stephen Koseff. Here in Sydney we have Sally Herman, Hugh Martin, Georgina Lynch and Graeme Katz, the CEO of the Fund. Georgina joined the board on 1 July this year as an independent non-executive director. She has extensive experience in the financial services and property industries, including as chairperson of Cbus Property and as an independent non-executive director of Viva Energy REIT. We are delighted that Georgina has joined the board and look forward to her contribution. The only director not present today is Sam Leon who sends his apologies

Also present today are Paul Lam-Po-Tang, our company secretary, members of the management team, Tracey Middlemiss from KPMG South Africa and Paul Thomas from KPMG Australia, the Fund's auditor.

On 28 May this year the Fund listed on the ASX. In conjunction with the ASX listing, the Fund also raised \$101 million of new equity. The capital raising was significantly oversubscribed and was priced above NTA. We are pleased to welcome a number of new, largely Australian-based investors, onto the register.

The 2019 financial year was another strong year for Investec Australia Property Fund. The Fund's property portfolio grew in value to \$1.063 billion off the back of the acquisition of two industrial properties in Melbourne and valuation uplift across the portfolio.

The Fund's strategy has remained consistent for some time. We aim to seek out value and focus 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.

The Fund paid a distribution of 10.23 cents per unit pre-withholding tax for the 2019 financial year, which represented growth of 2%. It should be noted that, as a result of the Fund listing on the ASX, the distribution policy has changed to more closely align with other ASX listed REITs. Going forward, the Fund will target distributions of between 80% and 100% of funds from operations each year. As disclosed in the product disclosure statement issued on 3 May this year, the Fund has forecast a distribution of 8.88 cents per unit for FY20.

At year end, the Fund's gearing was 38.1%. As a result of the recent capital raising, gearing now sits at approximately 30% which provides the Fund with capacity to pursue acquisition opportunities within the target gearing range of 30% - 40%.

Before I hand over to Graeme to discuss the Fund's performance in more detail, I would like to acknowledge the contribution of the Investec Group to the successful growth of the Fund and their assistance in facilitating the ASX listing. I would also like to thank the management team for their strong performance during the year.

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 2019 annual general meeting of Investec Australia Property Fund.

Today I'm going to provide an overview of the markets in which the Fund operates and touch on some highlights of the Fund's operational performance for the year ended 31 March 2019.

The Australian economy continues to experience relatively strong economic growth in global terms, underpinned by population growth averaging 1.6% over the last decade. The composition of growth has transitioned from mining and dwelling investment to non-mining business investment and public infrastructure spending. With significant infrastructure spend on public transport and decentralisation of the public service, metropolitan markets will continue to benefit from this growth.

While mining investment is well off its peak, export volumes in the resources sector remain a significant driver of Australia's growth. The resource rich states of Western Australia and Queensland are both showing signs of recovery. Forecast state final demand in Queensland over the five years to 2023 is now expected to outpace the larger states of NSW and Victoria, while Western Australia is expected to experience solid growth from 2020 onwards.

In relation to industrial markets:

- Performance across Australia's main industrial markets is converging, with Sydney and Melbourne continuing to experience growth and market recovery now evident in Perth, Brisbane and Adelaide.
- Transaction volumes had remained high over the period 2014 to 2018 although 2019 has seen lower transaction levels due to constrained supply. Industrial assets are attracting a broader range of investors, including global institutional investors. This is further supported by structural changes in the sector that are driving the development of high quality assets that support new technologies and practices in the logistics sector.
- All markets are forecast to experience rental growth over the five years to 2023, ranging from 2.0% to 3.5% per annum. Yields are expected to remain firm at cyclical low levels throughout 2019.

In relation to office markets:

- Australia remains an attractive destination for global capital, supported by sustainable growth, a stable economic environment, high transparency, and relatively strong population growth compared to other advanced economies.
- The volume of capital from domestic and increasingly diverse offshore sources seeking to invest in Australian office assets is well in excess of available product.
- Yields are expected to remain firm throughout 2019 with further compression expected in the Brisbane and Perth markets, driven by counter-cyclical investment in these markets. A modest decompression cycle is expected to commence from 2020, although this forecast is highly sensitive to bond yield movements.
- While much of the recent market activity has been centred on Melbourne and Sydney, other markets are now showing improvements in key market indicators, including positive net absorption, improved vacancy and a paring back of incentives. This is forecast to lead to stronger effective rental growth over the next few years.
- The Brisbane and Perth markets are forecast to lead the way in terms of effective rental growth over the five years to 2023.

Richard touched on the Fund's financial performance for the year ended 31 March 2019, which was in line with expectations. The financial result was underpinned by:

- a portfolio of good quality assets;

- active asset management; and
- efficient management of the balance sheet.

Our focus remains on identifying industrial facilities in established industrial precincts and office buildings in metropolitan markets, particularly as co-working space starts to impact demand for CBD office suites.

During the period the Fund completed the acquisition of an industrial facility in Melbourne and an office building in Canberra for a combined value A\$49.2 million. The Fund's portfolio now comprises 28 properties located across the main commercial markets of Australia and New Zealand and valued at A\$1.063 billion.

The portfolio is in a sound position with:

- a weighted average capitalisation rate of 6.59%;
- occupancy sitting at 99.4% by income;
- no individual tenant accounting for more than 4% of income;
- a WALE of 4.7 years; and
- contracted annual escalations across the portfolio of approximately 3.3%.

During the period the key focus for management was on engagement with tenants in an effort to understand their medium to long-term occupancy requirements, and where possible, agreeing lease extensions in advance of the contractual expiry dates. This resulted in approximately 12% of the Fund's portfolio by area being contracted during the period.

This process was assisted by re-investment into the portfolio in the form of both offensive and defensive capital expenditure. Management is continually looking at ways to improve the tenant experience and amenity at the Fund's properties in order to retain and attract tenants and to drive income growth.

During the period the Fund's debt and swap books were restructured to extend the weighted average expiries. The debt book was extended with the Fund's existing financiers by one year, with a weighted average debt expiry of 3.6 years as at 31 March 2019. The weighted average expiry of the swap book was extended by two years to 7.2 years at no additional cost to the Fund. As at 31 March 2019 the Fund's all in cost of debt was 3.75%.

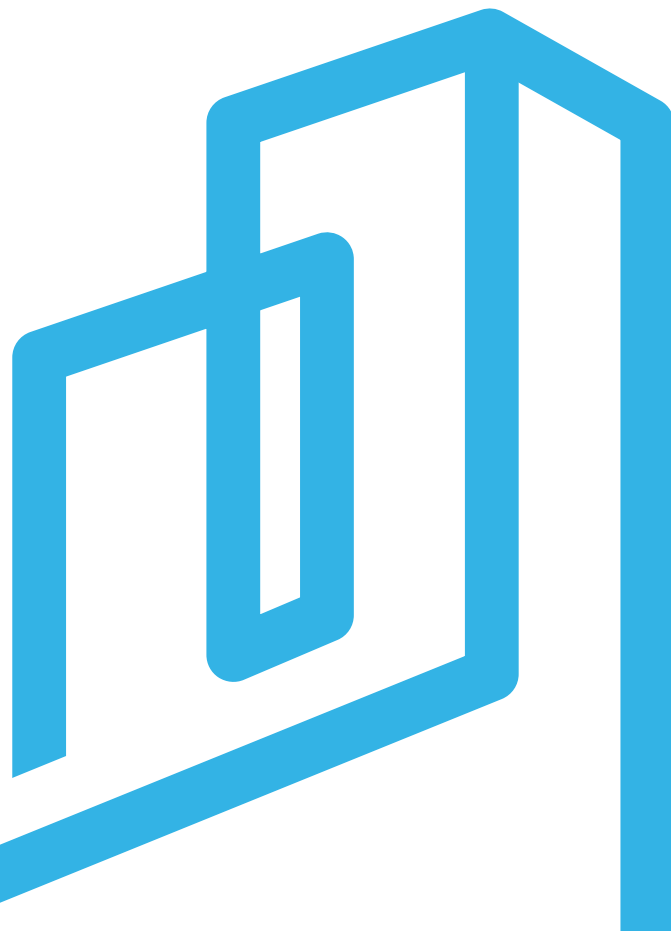
The Fund is now embarking on the next phase of its evolution as a dual listed fund on both the JSE and the ASX. Being listed on the two exchanges should provide the Fund with a more diversified pool of capital to allow it to grow and diversify its property portfolio. What doesn't change is the focus on delivering stable revenue and capital growth to investors from a quality portfolio of assets, targeting assets that deliver affordable occupancy solutions for tenants.

I would also like to acknowledge the contribution and efforts of the management team and the board as we embark on life as a dual listed fund.

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

Out of the Ordinary[®]

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Australia Property Fund

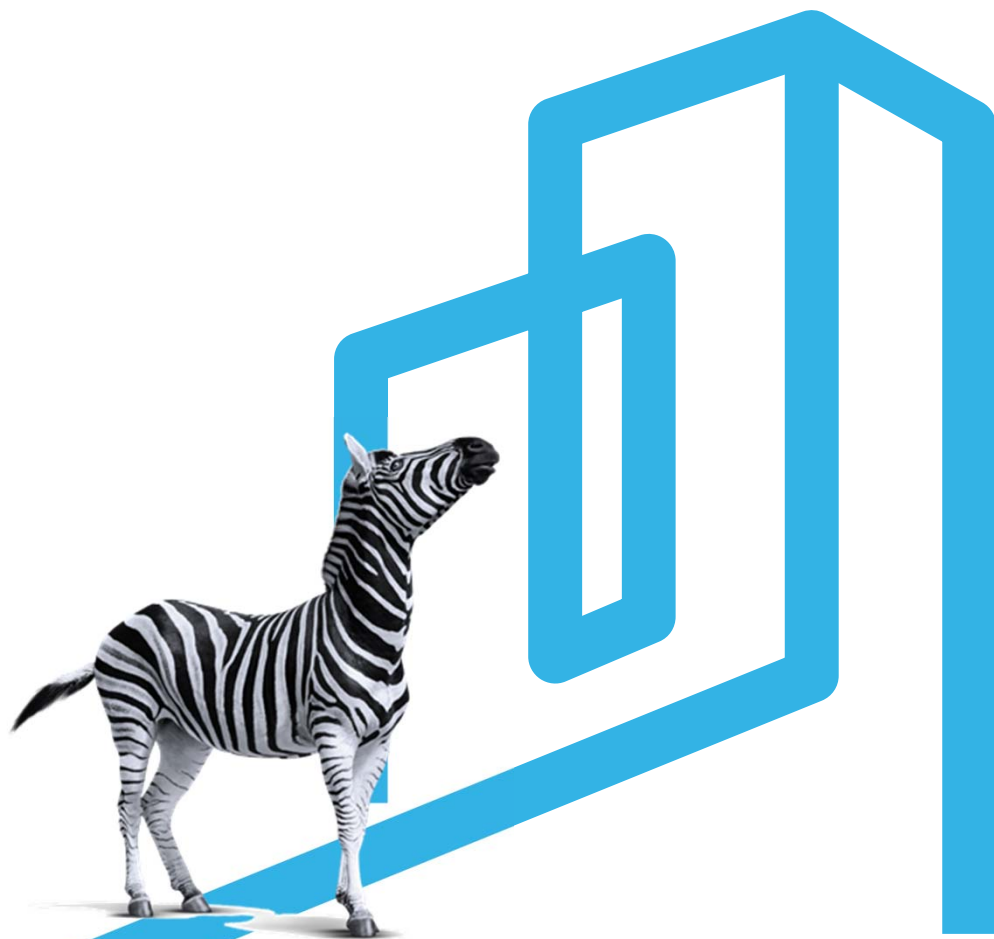


2019

INVESTEC AUSTRALIA PROPERTY FUND

Annual General Meeting

15 August 2019

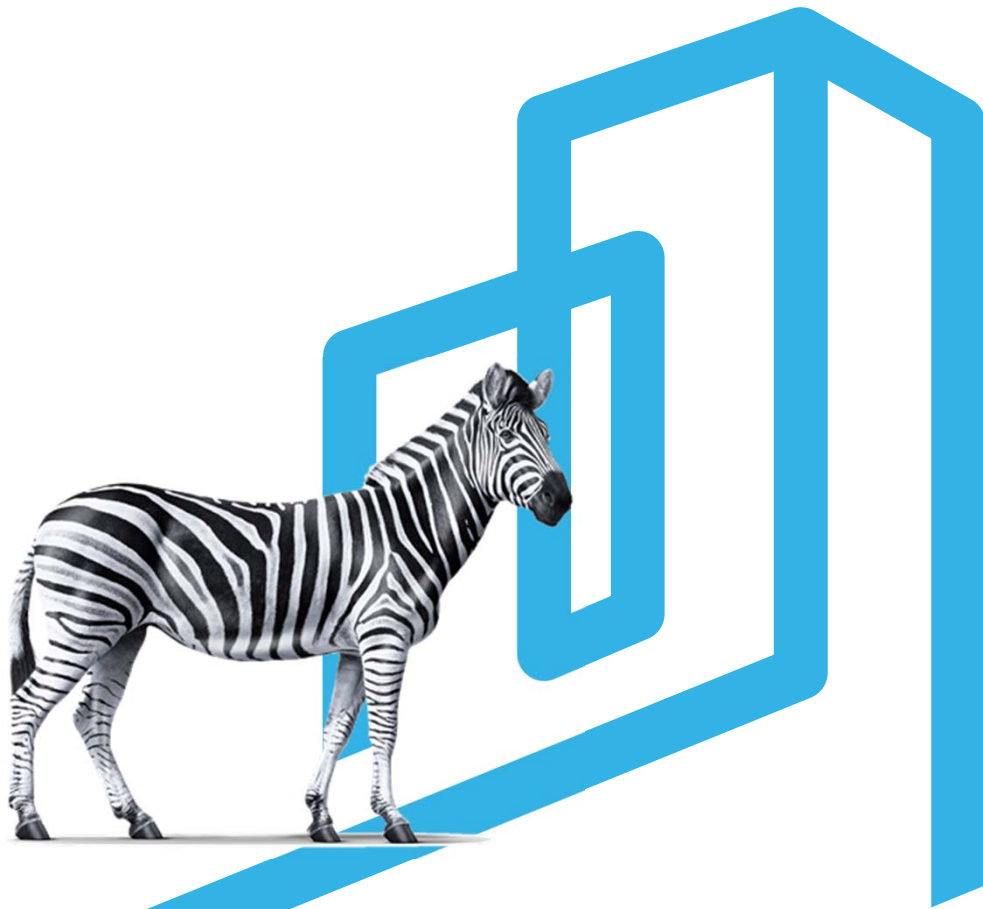


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Chairman's address
Richard Longes

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CEO's address
Graeme Katz

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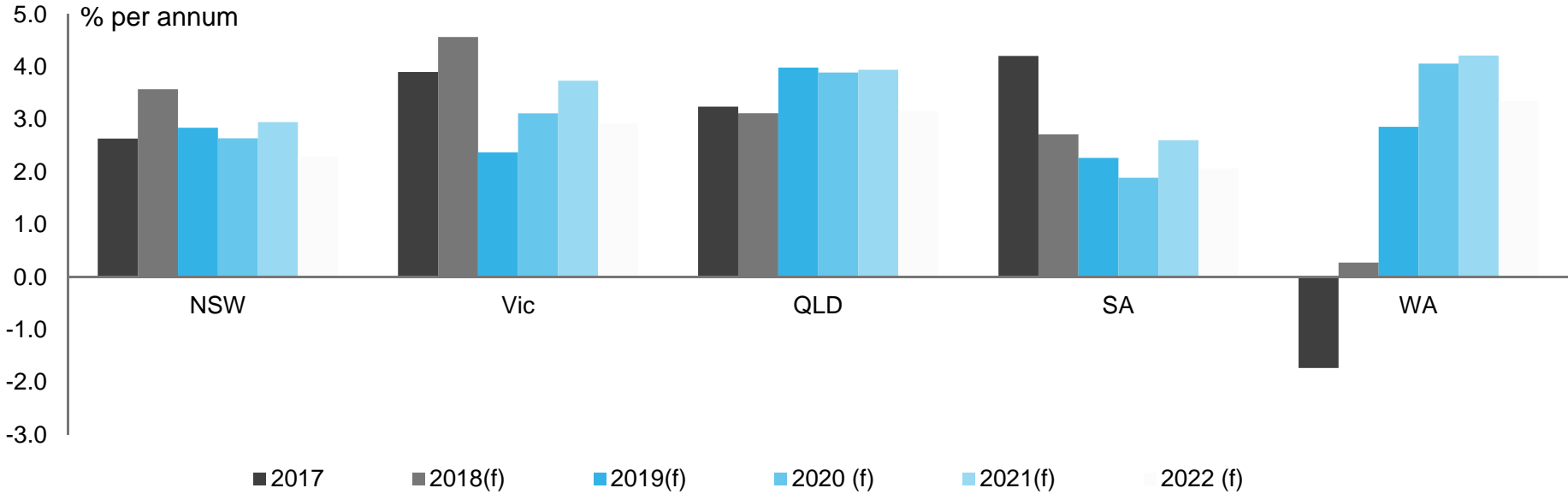
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Economic overview

All States forecasting growth



State by State economic growth — State final demand

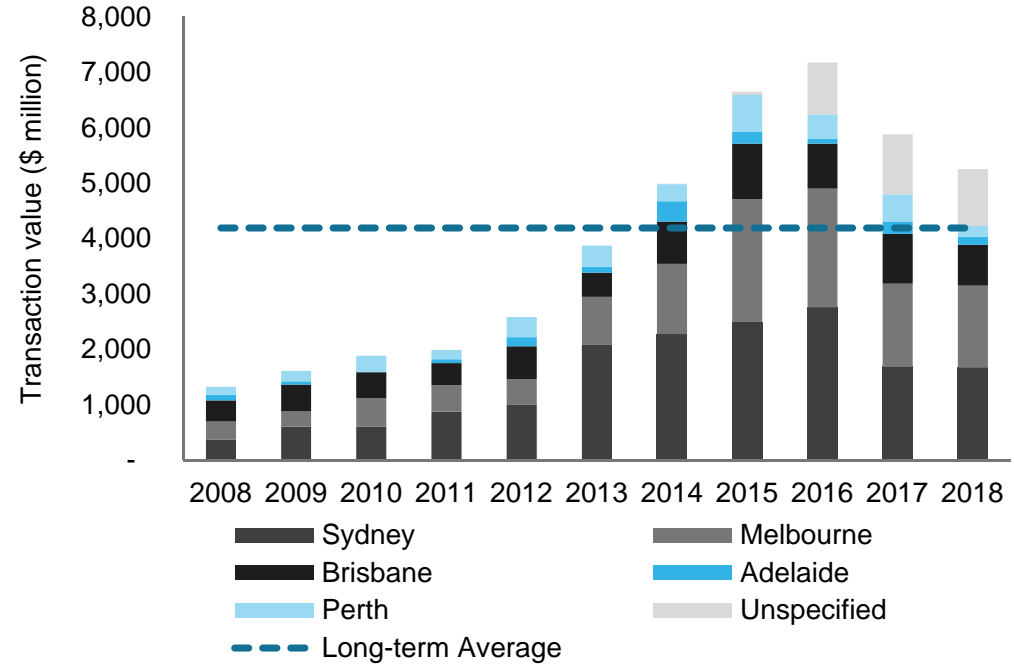


Source: Australian Bureau of Statistics, Deloitte Access Economics (3Q,18), JLL Research

Industrial market overview

Performance across markets converging

National transaction volumes by market, 2008–2018



Source: JLL Research

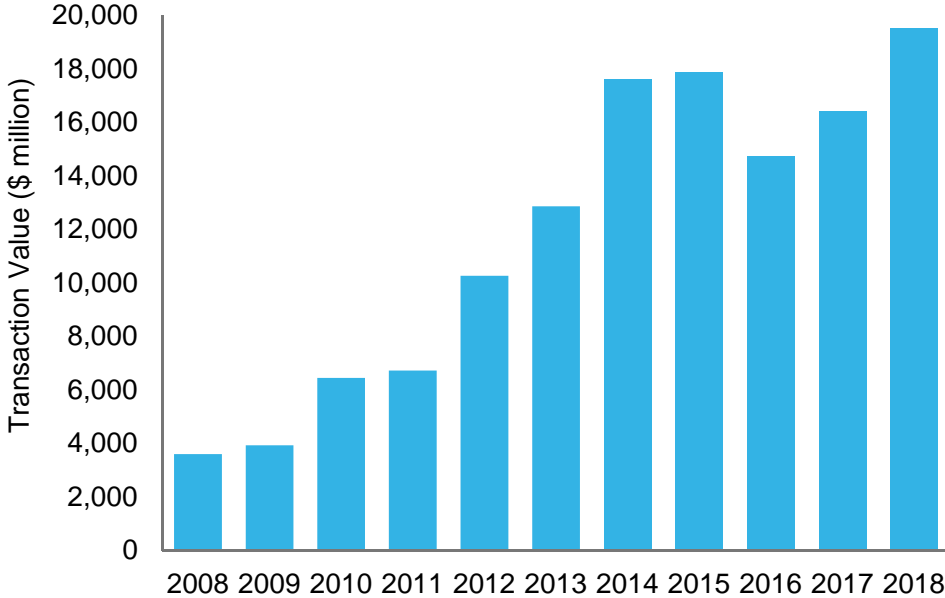
Prime gross effective rental growth, 2018–2023

Industrial market	
Sydney Outer Central West	2.6%
Sydney South	3.5%
Melbourne South East	2.9%
Melbourne West	2.0%
Brisbane Southern	3.1%
Adelaide North West	2.1%
Perth East	2.4%

Office market overview

Australia remains an attractive destination for global capital

National office transactions, 2008–2018



Source: JLL Research

Prime gross effective rental growth, 2018–2023

Office market	
CBD markets	
Brisbane CBD	6.2%
Perth CBD	5.6%
Adelaide CBD	4.0%
Melbourne CBD	2.7%
Canberra	2.4%
Sydney CBD	1.9%
Non-CBD markets	
Brisbane fringe	5.0%
Parramatta	3.1%
North Sydney	2.8%
Melbourne SES	2.0%
St Leonards	1.9%
Chatswood	1.3%
Melbourne fringe	1.3%
Macquarie Park	0.9%

Portfolio overview

IAP owns a portfolio of high quality properties that are well located in major metropolitan cities or established commercial precincts in Australia and New Zealand

\$1,063m
Portfolio value

28
Properties

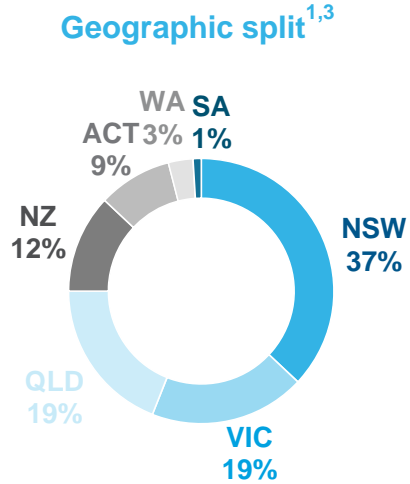
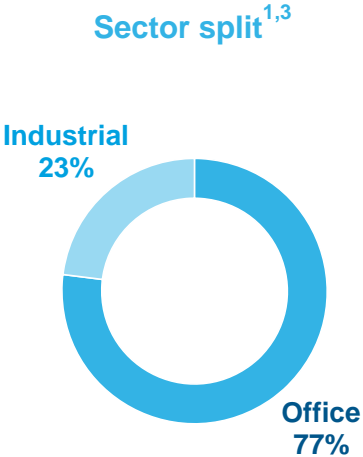
13 Office **15** Industrial

6.59%
WACR¹

4.7 years
WALE^{2,3}

99.4%
Occupancy^{2,3}

3.3%
WARR^{2,3}



Notes: 1. Weighted by property value. 2. Weighted by gross property income. 3. As at 3 May 2019.

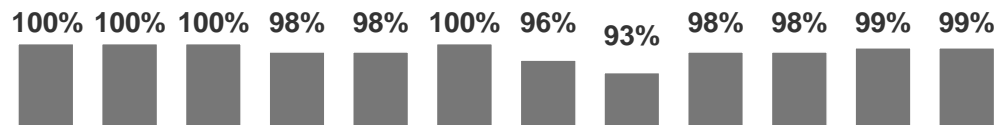
Occupancy and lease expiry profile

Consistently delivered high occupancy and with 49%^{1,2} of leases expiring after 5 years

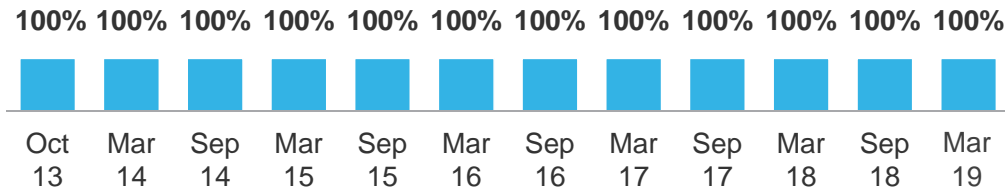


Occupancy¹

Office



Industrial

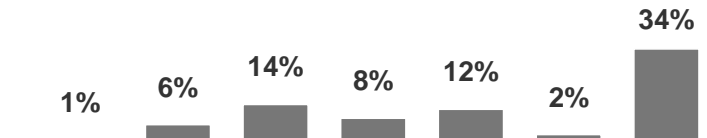


Total

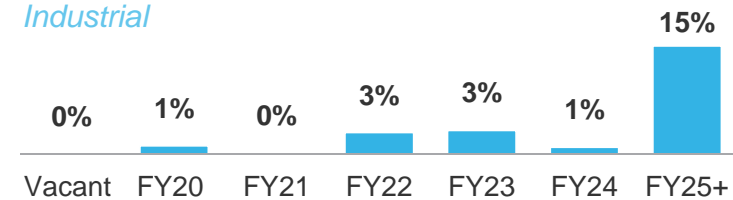


Lease expiry profile^{1,2}

Office



Industrial



Total

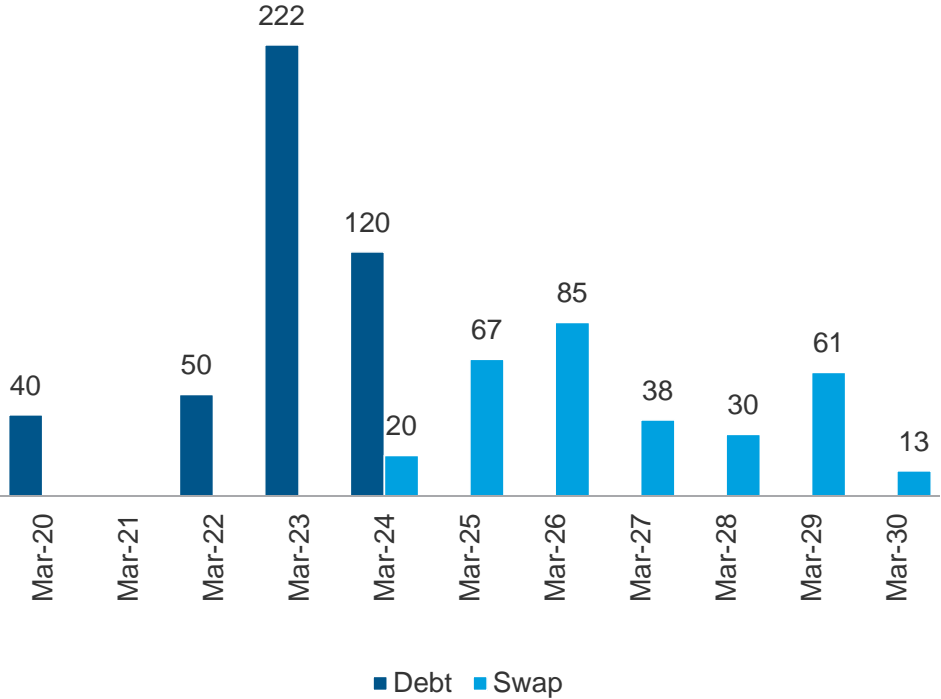


Notes: 1. Weighted by gross property income. 2. As at 3 May 2019.

Balance sheet management

Extended debt and hedge expiry profiles

Key debt metrics		31 March 2019
Weighted average debt expiry		3.6 years
Weighted average hedge expiry		7.2 years
Cost of debt		3.75%



Disclaimer

The material in this presentation has been prepared by Investec Property Limited ABN 93 071 514 246 (Investec Property) and is general background information about the activities of the Investec Australia Property Fund ARSN 162 067 736 (the Fund or IAP) and the Fund's activities current as at the date of this presentation. This information is given in summary form and does not purport to be complete. Information in this presentation, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

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Unless otherwise specified all information is for the period to 31 March 2019. Certain financial information in this presentation is prepared on a different basis to the Fund's Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this presentation does not comply with Australian Accounting Standards, reconciliation to the statutory information is provided. This report provides further detail in relation to key elements of the Fund's financial performance and financial position. Any additional financial information in this presentation which is not included in the Fund's Financial Report was not subject to independent audit or review by KPMG.

Investec Australia Property Fund is incorporated and registered in Australia in terms of ASIC (ARN 162 067 736). The material in this presentation relates to the portfolio of Investec Australia Property Fund, which is a Registered for distribution as a foreign collective investment scheme in terms of Section 65 of the Collective Investment Schemes Control Act No. 45 of 2003 and operated by Investec Property (AFSL 290 909). Investec Property is the issuer of units in the scheme. Investments in the scheme are not deposits with, or other liabilities of, any Investec Group entity (including Investec Property, Investec Australia Limited and any other subsidiaries, affiliates, employees or agents) and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Past performance is not necessarily a guide to future performance. Returns and benefits are dependent on the performance of underlying assets and other variable market factors and are not a guarantee. Exchange rate fluctuations may have an adverse effect on the value of certain investments. No member of the Investec Group guarantees any particular rate of return or the performance of the scheme, nor do they guarantee the repayment of capital from the scheme. The recipient acknowledges that the Investec Group will have no liability whatsoever (to the maximum extent permitted by law) to the recipient in connection with this document, the information, or any investment or financial decision made in relation to the matters discussed herein, or any due diligence by the recipient; and the recipient releases the Investec Group from any loss, damage claim, action, liability (including without limitation for negligence), cost and expenses in connection with the contents, use or assessment of this document or any other oral or written representation made in connection with its contents by the Investec Group.

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