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

Investec Australia Property Fund
Preliminary condensed
consolidated financial results

2018

Highlights

Portfolio value

AUD1 bn*
Milestone portfolio value achieved

Full year distribution growth of	Asset growth since listing	NAV per unit growth
3.0%	7.7x*	11 .1%
10.03 CPU	27 quality	Driven by revaluation uplift
pre WHT	properties	

Valuable platform comprising 27* properties supported by strong underlying property fundamentals and
an established track record of delivering on strategic objectives

5.2 years*
WALE
44% of leases expiring after 5 years

98.5%*
OCCUPANCY RATE
3.9% improvement
since March 2017

3.68%*
ALL IN FUNDING RATE
Strong balance sheet management
87% hedged for 6.2 years

*Includes acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date for AUD 19.45mn which settled on 19 April 2018

Key performance indicators

	31 March 2018	31 March 2017
Financial KPIs		
Distribution per unit pre-WHT	10.03	9.74
Distribution per unit post-WHT	9.29	9.24
Cost to income ratio	6.3%	3.6%
Gearing	35%	32%
Funding costs	3.71%	3.71%
Weighted average debt expiry	3.2 years	3.7 years
Weighted average swap expiry	6.2 years	7.7 years
Hedged position	91%	99%
Operational KPIs		
Number of properties	26	24
Property portfolio	AUD987mn	AUD779mn
Gross lettable area	270 511m2	230 864m2
Weighted average lease expiry (by revenue)	5.1 years	4.6 years
Weighted average escalations	3.3%	3.4%
Occupancy rate (by revenue)	98.5%	94.6%
Units in issue	478 802 454	435 587 842

Consolidated statement of comprehensive income
for the year ended 31 March 2018

AUD'000	Note	Reviewed year ended 31 March 2018	Audited year ended 31 March 2017
Revenue, excluding straight-line rental revenue adjustment		75 451	51 705
Straight-line rental revenue adjustment		2 146	2 793
Revenue		77 597	54 498
Property expenses		(13 897)	(8 408)
Net property income		63 700	46 090
Other operating expenses		(6 177)	(4 319)
Operating profit		57 523	41 771

Fair value adjustments	1	61 225	13 645
Finance costs		(10 700)	(7 100)
Finance income		117	106
Other income		40	320
Total comprehensive income attributable to unitholders		108 205	48 742
Units in issue at the end of the period ('000)		478 802	435 588
Weighted average number of units in issue for the period ('000)		450 084	323 342
Basic and diluted earnings per unit (cents)		24.04	15.07

Distribution reconciliation
for the year ended 31 March 2018

AUD'000	Note	Reviewed year ended 31 March 2018	Audited year ended 31 March 2017
Total comprehensive income for the period		108 205	48 742
Less: Straight-line rental revenue adjustment		(2 146)	(2 793)
Fair value adjustments	1	(61 225)	(13 645)
Antecedent distribution		3 216	4 660
Distributable earnings		48 050	36 964
Reconciliation of distribution per unit			
Final distribution for the year to 31 March			
Distributable earnings		48 050	36 964
Less: Interim distribution paid		(23 723)	(15 509)
Final distribution (pre-withholding tax)		24 327	21 455
Withholding tax paid/payable to the Australian Taxation Office		(1 705)	(1 435)
Income tax paid/payable to the New Zealand Inland Revenue Department		(366)	-
Final distribution (post-withholding tax)		22 256	20 020
Units in issue at 31 March ('000)		478 802	435 588
Final distribution per unit (cents) (pre-withholding tax)		5.08	4.93
Interim distribution per unit (cents) (pre-withholding tax)		4.95	4.81
Total distribution per unit (cents) (pre-withholding tax)		10.03	9.74
Final distribution per unit (cents) (post-withholding tax)		4.65	4.60
Interim distribution per unit (cents) (post-withholding tax)		4.64	4.64
Total distribution per unit (cents) (post-withholding tax)		9.29	9.24

a) The full year distribution includes the antecedent distribution associated with the unit placement which was completed in November 2017. This amounts to AUD3.2mn. The antecedent distribution is not subject to withholding tax in Australia.

Consolidated statement of financial position
as at 31 March 2018

AUD'000	Notes	Reviewed as at 31 March 2018	Audited as at 31 March 2017
ASSETS			
Non-current assets		986 696	780 626
Investment property		986 696	779 350
Financial assets held at fair value	3	-	1 276
Current assets		10 976	5 906
Cash and cash equivalents		7 218	4 116
Trade and other receivables		3 758	1 790
Total assets		997 672	786 532
EQUITY AND LIABILITIES			
Unitholders' interest		617 363	505 668
Contributed equity		515 203	466 879
Retained earnings		102 160	38 789
Non-current liabilities		349 647	255 876
Long-term borrowings		342 431	248 005
Trade and other payables		6 187	7 871
Financial liabilities held at fair value	3	1 029	-
Current liabilities		30 662	24 988
Trade and other payables		6 335	3 532
Distributions payable		24 327	21 456
Total equity and liabilities		997 672	786 532
NET ASSETS		617 363	505 668
Units in issue ('000)		478 802	435 588
Net asset value per unit (cents)		128.94	116.09

Consolidated statement of cash flows
for the year ended 31 March 2018

AUD'000	Reviewed year ended 31 March 2018	Audited year ended 31 March 2017

Cash flows from operating activities

Rental income received	73 395	51 529
Property expenses	(14 166)	(6 834)
Fund expenses	(6 177)	(4 319)
Security deposits	(798)	-
Cash generated from operations	52 254	40 376
Finance income received	117	106
Finance costs paid	(10 443)	(6 589)
Distribution paid to unitholders	(45 179)	(29 977)
Net cash (used in)/from operating activities	(3 251)	3 916
Cash flows from/(used in) investing activities		
Investment property acquired	(134 920)	(246 163)
Aquisition costs and capital expenditure	(4 379)	(22 290)
Net cash outflow used in investing activities	(139 299)	(268 453)
Cash flows from financing activities		
Borrowings raised	109 313	112 143
Repayment of loans	(15 200)	(6 000)
Proceeds from issue of units	52 054	162 580
Payment of transaction costs related to the issue of units	(515)	(1 178)
Net cash inflow from financing activities	145 652	267 545
Net increase in cash and cash equivalents	3 102	3 008
Cash and cash equivalents at the beginning of the year	4 116	1 108
Cash and cash equivalents at the end of the year	7 218	4 116

Consolidated statement of changes in equity

AUD'000	Contributed equity	Retained earnings	Total unitholders' interest
Balance at 1 April 2016	310 136	22 351	332 487
Total comprehensive income attributable to unitholders	-	48 742	48 742
Issue of ordinary units	161 403	-	161 403
Distributions paid/payable to ordinary unitholders	(4 660)	(32 304)	(36 964)
Balance at 31 March 2017	466 879	38 789	505 668
Total comprehensive income attributable to unitholders	-	108 205	108 205
Issue of ordinary units	51 540	-	51 540
Distributions paid/payable to ordinary unitholders	(3 216)	(44 834)	(48 050)
Balance at 31 March 2018	515 203	102 160	617 363

For the year ended 31 March 2018

AUD'000	Office	Industrial	Total
Statement of comprehensive income			
Revenue, excluding straight-line rental revenue adjustment	57 453	17 998	75 451
Straight-line rental revenue adjustment	2 279	(133)	2 146
Property expenses	(11 814)	(2 083)	(13 897)
Net property income	47 918	15 782	63 700
Straight-line rental revenue adjustment	(2 279)	133	(2 146)
Acquisition costs and capital expenditure	(4 420)	(1 629)	(6 049)
Net investment property revaluation	57 889	11 575	69 464
Total segment results	99 108	25 861	124 969
Other operating expenses			(6 177)
Fair value adjustment on interest rate swap derivatives			(2 305)
Fair value adjustment on foreign currency			2 261
Finance costs			(10 700)
Finance income			117
Other income			40
Profit for the period			108 205
Statement of financial position extracts at 31 March 2018			
Investment property balance 1 April 2017	597 151	182 199	779 350
Acquisitions	112 137	22 000	134 137
Foreign currency revaluation on purchase	3 745	-	3 745
Acquisition costs and capital expenditure	4 420	1 629	6 049
Straight-line rental revenue receivable	2 279	(133)	2 146
Fair value adjustments - investment property	51 190	10 079	61 269
Investment property at 31 March 2018	770 922	215 774	986 696
Other assets not managed on a segmental basis			10 976
Total assets as at 31 March 2018			997 672

For the year ended 31 March 2017

AUD'000	Office	Industrial	Total
Statement of comprehensive income			
Revenue, excluding straight-line rental revenue adjustment	36 979	14 726	51 705
Straight-line rental revenue adjustment	1 866	927	2 793
Property expenses	(6 690)	(1 718)	(8 408)
Net property income	32 155	13 935	46 090
Straight-line rental revenue adjustment	(1 866)	(927)	(2 793)
Acquisition costs and capital expenditure	(20 926)	(1 107)	(22 033)
Net investment property revaluation	30 645	5 600	36 245
Total segment results	40 008	17 501	57 509

Other operating expenses			(4 319)
Fair value adjustment on interest rate swap derivatives			2 226
Finance costs			(7 100)
Finance income			106
Other income			320
Profit for the period			48 742
Statement of financial position extracts at 31 March 2017			
Investment property balance 1 April 2016	336 250	157 600	493 850
Acquisitions	230 256	18 999	249 255
Acquisition costs and capital expenditure	20 926	1 107	22 033
Straight-line rental revenue receivable	1 866	927	2 793
Fair value adjustments - investment property	7 853	3 566	11 419
Investment property at 31 March 2017	597 151	182 199	779 350
Other assets not managed on a segmental basis			7 182
Total assets as at 31 March 2017			786 532

AUD'000	Reviewed year ended 31 March 2018	Audited year ended 31 March 2017
1. Fair value adjustments		
Fair value adjustments - investment property	61 269	11 419
Fair value adjustments - interest rate swaps	(2 305)	2 226
Fair value adjustments - foreign currency revaluation	2 261	-
Total fair value adjustments	61 225	13 645
2. Headline earnings reconciliation		
Total comprehensive income for the period	108 205	48 742
Less: Fair value adjustments - investment property	(61 269)	(11 419)
Headline earnings	46 936	37 323
Basic earnings per unit (cents)	24.04	15.07
Headline earnings per unit (cents)	10.43	11.54

3. 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 are measured at amortised cost and approximate fair value. Long-term borrowings are measured at amortised cost.

Measured at fair value

For the year ended 31 March 2018 AUD'000	Level 1	Level 2	Level 3	
Interest rate swaps	-	(1 029)	-	(2 305)
Total financial liabilities measured at fair value	-	(1 029)	-	(2 305)

Measured at fair value

For the year ended 31 March 2017 AUD'000	Level 1	Level 2	Level 3	
Interest rate swaps	-	1 276	-	2 226
Total financial assets measured at fair value	-	1 276	-	2 226

4.Fair value of investment property

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 as 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 the discounted cash flow ("DCF") method and income capitalisation method.

At year-end independent external valuations were obtained for all properties. In aggregate, revaluations net of the write-off of transaction costs associated with acquisitions made during the year contributed AUD69.5mn 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 DCF method.

Under the income capitalisation method a property's fair value is estimated based 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.

Measured at fair value

For the year ended 31 March 2018

AUD'000	Level 1	Level 2	Level 3	Total
Total assets				
Investment property balance 1 April 2017	-	-	779 350	779 350
Acquisitions	-	-	134 137	134 137
Foreign currency revaluation on purchase	-	-	3 745	3 745
Acquisition costs and capital expenditure	-	-	6 049	6 049
Straight-line rental revenue receivable	-	-	2 146	2 146
Fair value adjustments	-	-	61 269	61 269
Total non-financial assets measured at fair value	-	-	986 696	986 696

Measured at fair value

For the year ended 31 March 2017

AUD'000	Level 1	Level 2	Level 3	Total
Investment Property balance 1 April 2016			493 850	493 850
Acquisitions	-	-	249 255	249 255
Acquisition costs and capital expenditure	-	-	22 033	22 033
Straight-line rental revenue receivable	-	-	2 793	2 793
Fair value adjustments	-	-	11 419	11 419
Total non-financial assets measured at fair value	-	-	779 350	779 350

Fair value adjustments are processed through "Fair value adjustments" in the statement of comprehensive income.

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 year ended 31 March 2018	Audited year ended 31 March 2017
Gross investment property fair value adjustment	63 415	14 212
Less: Straight-line rental revenue adjustment	(2 146)	(2 793)
Total fair value adjustment - investment property	61 269	11 419
Fair value adjustment on interest rate swap	(2 305)	2 226
Fair value adjustments on foreign currency transactions	2 261	-
Net fair value adjustments	61 225	13 645

5. Related party transactions
   The Fund entered into the following related party transactions during the year with the Investec Group and its subsidiaries:

Transactions with related parties	Reviewed year ended 31 March 2018 AUD'000	Audited year ended 31 March 2017 AUD'000
Payments to Investec Group and its subsidiaries:		
Investec Property Management Pty Limited - subsidiary		
Asset management fee	5 120	3 690
Property management fee*	1 282	1 087
Leasing fee	494	-
Investec Bank Limited - parent company		
Sponsor fee	29	25
Capital raising fees and listing costs	473	287
Investec Property Fund Limited - subsidiary		
Capital raising fees and listing costs	-	731
Investec Bank plc - parent company		
Interest on swaps	1 289	863
Amounts owing to related parties:		
Investec Property Management Pty Limited - subsidiary		
Asset management fee payable	433	982

* Investec Property Management Pty Limited (IPMPL) has been contracted to perform property management services. IPMPL has sub-contracted this to third-party property managers who receive this fee from IPMPL.

6. Subsequent events
   On 19 April 2018 the Fund completed the acquisition of 36-42 Hydrive Close, Dandenong South. The acquisition was funded with cash using the Fund's existing debt facilities. The acquisition increased the portfolio value to AUD1 006.1mn and gearing to 35.8%.

Commentary

Introduction

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

The Fund aims to provide unitholders with stable revenue and capital value uplift by investing in quality office, industrial and retail properties in Australia and New Zealand, giving unitholders direct exposure to the Australian and New Zealand real estate markets via the JSE. The Fund's portfolio has grown 7.7x* since listing in October 2013 and now comprises 27* properties with a total gross lettable area of 285 146m²* and a portfolio value of AUD1 006.1mn*.

Management continues to believe that the investment case for investing in good quality properties in Australia and New Zealand remains attractive for South African investors given the region's favourable macro-economic conditions, property yield spreads over historically low funding costs and revenue returns in a hard currency. Management believes that the Fund's current equity yield of 8.8%^ represents value for South African investors relative to the Fund's direct peer set in the Australian market.

Market commentary

Australia's population growth continues to underpin a resilient economy displaying solid fundamentals. Low interest rates, consumption growth, high levels of infrastructure investment, employment and trade growth together with access to the populous Asia markets have contributed to GDP growth of 2.25% for 2017. The Reserve Bank has maintained the cash rate at 1.50% for the 19th consecutive month and in its commentary has noted that growth for 2018 and 2019 should pick up to average over 3%. Business conditions are positive and non-mining investment is increasing. The Australian dollar has depreciated recently but on a trade weighted basis remains within the range that it has been for the last 2 years. The economy created 403 100 new jobs in 2017 with the unemployment rate tightening to 5.5%. This positive employment growth has resulted in positive leasing enquiry and declining vacancy rates due to increased demand for space.

The strong economic conditions in NSW and Victoria are expected to continue in the short term off the back of significant infrastructure spending particularly around road and rail networks. The resource based markets are starting to see a gradual recovery with a return to positive effective rental growth although incentives remain high. There was over AUD16b of office transactions recorded in 2017 with offshore capital responsible for over half the volume with new entrants emerging from Japan and the US. While the majority of capital was focussed on the Sydney and Melbourne markets attracted by positive rent reversion and growth in white collar employment, the Brisbane and Perth markets saw increased liquidity for those seeking a counter-cyclical play.

There remains diversified sources of capital chasing assets in the industrial and logistics market and the share of offshore investors for this sector has increased over the last 5 years. The impact of large scale infrastructure projects and the consequence of stock withdrawals for residential conversion and infrastructure projects together with a lack of stock have seen strong price growth in the Sydney market. The Melbourne market is also benefitting from above average population growth and a major upgrade of the road network coupled with the busiest port in Australia is driving a shortage of quality stock for lease or sale.

The economic outlook in New Zealand remains positive despite a change of government with GDP growth forecast to be close to 3%. In Wellington, where the Fund acquired The Majestic Centre, the supply and demand dynamics following the 2016 earthquake has resulted in a reduction in vacancy and increased pressure on rentals. There is an elevated demand for occupiers and investors in the market and this has attracted fresh offshore capital leading to increases in capital values.

Financial results

The board of directors of Investec Property Limited ("IPL"), the responsible entity of the Fund is pleased to announce a final distribution of 5.08 cents per unit ("cpu") pre-withholding tax ("WHT") and 4.65 cpu post-WHT (2017: 4.93 cpu pre-WHT and 4.60 cpu post-WHT). This brings the total distribution for the year to 10.03 cpu pre-WHT and 9.29 cpu post-WHT (2017: 9.74 cpu pre-WHT and 9.24 cpu post-WHT) and represents growth for the full year of 3.0% pre-WHT and 0.6% post-WHT which is in line with guidance given to the market.

The effective tax rate for the full year is 7.95895% compared to 6.13532% for the prior year which has impacted the lower growth rate in the post WHT distribution. The effective tax rate has been impacted by a reduction in the depreciation shield, from 45% in FY17 to 39% in FY18 along with the antecedent distribution in FY17 being a larger component of the total distribution than the antecedent distribution in FY18. The antecedent distribution is not subject to withholding tax in Australia.

^ 12-month forward yield, pre-withholding tax and based on the unit price at 4 May 2018 of ZAR 11.01
* Includes acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date for AUD19.45 mn which settled on 19 April 2018

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

Direct asset pricing remains strong off the back of continued flows of foreign capital into the Australian property market, particularly from Asia. Despite this, management continues to explore opportunities to grow the Fund's portfolio whilst maintaining the discipline of investing based on sound underlying property fundamentals and "the right asset at the right price".

Management's focus for the 12 months has been on seeking out and creating value for unitholders - whether in the context of exploring new markets (such as New Zealand), making acquisitions that represent relative value compared to other available opportunities or by improving the quality of the underlying portfolio through active asset management. These efforts have contributed to an increase in the Fund's net asset value of 11.1% for the year ended 31 March 2018, supported by a valuation uplift of AUD73.2mn (8.0%) over the same period.

Management has also been focused on improving the weighted average lease expiry of the portfolio. This has been achieved through the acquisition of properties with long dated lease expiries and through early engagement with tenants in an effort to understand their medium- to long-terms occupancy requirements, and where possible, agreeing lease extensions in advance of the contractual expiry dates. This process has been 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 revenue growth.

Management will consider selling properties in circumstances where it believes value creation has been maximised, to protect against downside risk or to improve the overall quality of the Fund's portfolio.

In early 2018, following a detailed tender process, the Fund moved the majority of its property and facilities management support to Knight Frank. Already there has been an improvement in tenant engagement and feedback and a more rigorous approach to systems and reporting. Knight Frank has also commenced a sustainability audit across the portfolio to identify opportunities to improve building efficiency, performance and environmental impact. Later in the year Knight Frank will also undertake a procurement review to identify cost saving opportunities in an effort to reduce occupancy expenses for tenants.

Acquisitions
Despite the market remaining competitive, the Fund has completed the acquisition of three quality properties since 31 March 2017.

The Fund completed the acquisition of its first property located in New Zealand in December 2017. The Majestic Centre is an iconic office building located in the heart of the Wellington CBD. The business case for acquiring the property was compelling, in particular:

- the purchase price (NZD 5 000/m2) was significantly below replacement cost and compares very favourably to equivalent properties in Australian CBD locations;
- there is no stamp duty payable on acquisitions in New Zealand;
- 98% leased to good quality tenants, including Ernst & Young, Cigna Life Insurance, Opus International and New Zealand Trade and Enterprise;
- less than 1% vacancy in premium and prime grade office in Wellington with no uncommitted supply coming into the market; and
- low incentives of 7% to 8%.

The Fund acquired two Melbourne industrial properties in the neighbouring suburbs of Hallam and Dandenong South, approximately 30km south east of the Melbourne CBD. Both properties provide long-term sustainable revenue for the Fund with lease expiries in excess of seven years.

Property name	Geography	Effective date	Sector	Value ('000)	GLA (m2)	Yield (%)	WALE (years)
6-8 and 11 Siddons Way, Hallam	Melbourne, VIC	18/10/2017	Industrial	AUD22 000	15 504	6.3	7.8
The Majestic Centre, 100 Willis Street	Wellington, NZ	11/12/2017	Office	NZD123 175	24 440	7.1	6.6
36-42 Hydrive Close, Dandenong South	Melbourne, VIC	19/04/2018	Industrial	AUD19 450	14 635	6.3	7.1

Valuations
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.

As at 31 March 2018, external valuations were obtained for all of the Fund's properties. Whilst there has been further compression in cap rates during the 12 months to 31 March 2018 across the market which has contributed in part to the valuation uplift, the Fund's active asset management success during the period, for example, extending the lease to Carsales.com at 449 Punt Road in Melbourne and the leases to Horan Steel at 165 Newton Road in Sydney and 24 Spit Island Close in Newcastle, has unlocked additional value by further de-risking future revenue.

Revaluations contributed AUD73.2mn to the value of the portfolio, which represents an increase of 8.0% for the 12 months since 31 March 2017. The majority of this uplift was attributable to the Fund's metropolitan office properties, which validates the Fund's strategy to increase its exposure to these markets, particularly in Sydney and Melbourne.

Net asset value growth of 11.1% was achieved for the 12 months to 31 March 2018, largely attributable to the revaluation of the Fund's properties

Geographic spread*
During the year, the Fund made its first investment in New Zealand, which accounts for 12% of the portfolio by asset value.
Post 31 March 2018, the Fund completed the acquisition of 36-42 Hydrive Close in Melbourne which increased the Fund's exposure to Victoria. The Fund's exposure to the two best performing Australian economies of New South Wales and Victoria is now 57% by asset value (31 March 2017: 61%).

GLA		Asset value		Revenue	
ACT	10%	ACT	7%	ACT	8%
NSW	35%	NSW	38%	NSW	38%
QLD	16%	QLD	20%	QLD	21%
SA	3%	SA	1%	SA	1%
WA	8%	WA	3%	WA	3%
VIC	19%	VIC	19%	VIC	16%
NZ	9%	NZ	12%	NZ	13%

Sectoral spread*
Despite the recent acquisition of two Melbourne industrial properties, the Fund has maintained its bias towards office markets with exposure to this sector representing 77% of the portfolio by asset value (31 March 2017: 77%).

GLA		Asset value		Revenue	
Office	49%	Office	77%	Office	76%
Industrial	51%	Industrial	23%	Industrial	24%

Leasing activity
At the date of this report, the portfolio is 98.5% occupied by revenue, an improvement from 94.6% at 31 March 2017. The current vacancy largely comprises acquired vacancy at 324 Queen Street in Brisbane and 20 Rodborough Road in Sydney, which has taken longer than expected to lease.

Since 31 March 2017, the Fund has been actively engaging with tenants to understand their medium to long term occupancy requirements. This has resulted in approximately 16% of Fund's portfolio by area being contracted since 31 March 2017 (46 393m^2), notwithstanding less than 6% of the Fund's portfolio by area was either vacant or expiring during the period. As at the date of this report only 3 035m^2 remains vacant.

* Includes acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date for AUD19.45mn which settled on 19 April 2018

Leasing activity of particular note since 31 March 2017 includes:

-the extension of the lease to Carsales.com over 6 370m² at 449 Punt Road in Melbourne, with a new expiry date of October 2024;
-the leasing 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 extension of the lease to Allianz over 3 769m² at 324 Queen Street in Brisbane, with a new expiry date of September 2027;
-the extension of the leases to Horan Steel at 165 Newton Road in Sydney over 12 529m2 and 24 Spit Island Close in Newcastle over 5 257m2, with new expiry dates of January 2031; and
-the extension of the lease to Kentucky Fried Chicken over 3 000m² at 20 Rodborough Road in Sydney, with a new expiry date of July 2033, and the leasing of 2 083m² vacated by Kentucky Fried Chicken to Outotec, with an expiry date of August 2023.

A further 4 572m² is currently subject to signed heads of agreement which are expected to convert to signed leases. Of this space, 1 257m2 relates to current vacancy, 2 345m² relates to expiries in FY19 and 969m² relates to expiries in FY20. 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 has completed the following leasing transactions:

	GLA (m2)	Average initial lease term (years)	Average escalation (%)
Replacement leases/renewals			
Office	21 541	7.2	3.57
Industrial	17 786	6.4	3.22
Letting of vacancy			
Office	7 066	4.5	3.60
Industrial	-	-	-
Total	46 393		

The Fund's lease expiry profile at the date of this report remains strong with a weighted average lease expiry of 5.2 years* by revenue with 44.4%* of leases expiring after five years. The lease expiry profile reflects the quality and sustainability of the Fund's revenue base.

* Includes acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date for AUD19.45mn which settled on 19 April 2018

Capital and risk management
The Fund's gearing ratio as at 31 March 2018 was 34.8% (35.8% following the acquisition of 36-42 Hydrive Close in Melbourne). 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 3.2 years* and the Fund has fixed 87.1%* (2017: 99.1%) of its interest rate exposure for a weighted term of 6.2 years (2017: 7.7 years) at a rate of 2.42% (2017: 2.43%). The Fund's all in cost of funding is currently 3.68%* (2017: 3.71%).

During the year, 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.

ASX listing
Management flagged at the half year that the Fund was considering a dual listing on the Australian Securities Exchange ("ASX"), subject to favourable market conditions. Since that time there has been a shift in the price of global bonds and corresponding weakness in the Australian REIT market. As a result, market conditions have not been conducive to a listing as yet. However, management continues to explore the possibility of an ASX listing and work continues on preparing the Fund for listing in Australia when market conditions permit. To this end, Macquarie Bank and J.P. Morgan have been appointed to assist the Fund with the ASX listing and a non-deal road show to selected Australian institutional investors was completed in early 2018. Feedback from the road show was positive in terms of the quality of the Fund's portfolio, the Fund's asset strategy and management track record. The key areas of focus for Australian institutional investors are ensuring that the management arrangements, corporate governance and distribution policy are consistent with Australian standards. Management will keep the market informed on progress with the ASX listing.

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 31 March 2018, 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 20.92% and 15.07% respectively.

- Number of units in issue 478 802 454
- Number of unitholders 4 884

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

Prospects
The board of IPL is therefore communicating expected distribution growth in FY19 of between 2% and 2.5% pre-withholding tax and 0.0% and 0.5% post-withholding tax.

This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur and budgeted renewals will be concluded. Budgeted rental revenue is based on in force leases, contractual escalations and market related renewals.

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.

Richard Longes
Chairman

Graeme Katz
Chief Executive Officer

15 May 2018

* Includes acquisition of 36-42 Hydrive Close, Dandenong South post-balance sheet date for AUD19.45mn which settled on 19 April 2018

Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

Review conclusion

The condensed consolidated financial statements for the year ended 31 March 2018 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 the fund's registered office together with the financial statements identified in the auditor's report.

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 the issuer's registered office.

Final distribution

Notice is hereby given of a final distribution declaration number 9 of:

- 5.08073 AUD cents per unit pre WHT
- 4.64803 AUD cents per unit post WHT

for the six months ended 31 March 2018. Tax of 0.43270 AUD cents or 8.51655% per unit will be withheld from the distribution paid to non-Australian unitholders.

The salient dates relating to the distribution are as follows:

	2018
Exchange rate to convert the distribution to Rand and announced on SENS1	Tuesday, 29 May
Last day to trade cum distribution	Tuesday, 5 June
Units to trade ex distribution	Wednesday, 6 June
Distribution amount transferred to South Africa	Friday, 8 June
Record date	Friday, 8 June
Distribution posted/paid to certificated unitholders	Monday, 11 June
Accounts credited by CSDP or broker to dematerialised unitholders	Wednesday, 13 June

(1)Exchange rate calculated on Tuesday, 29 May

Units may not be dematerialised or rematerialised between commencement of trade Wednesday, 6 June 2018 and close of trade on Friday, 8 June 2018, both dates inclusive

This distribution includes a "Fund Payment" amount of 2.53784 AUD cents per unit, pursuant to Subdivision 12-H of Schedule 1 of the Taxation Administration Act 1953 and relates to the period ending 31 March 2018.

The Fund declares that it is an Attribution Managed Investment Trust, and a withholding managed investment trust for the purposes of subdivision 12-H of Schedule 1 of the Taxation Administration Act 1953, in respect of the income year ended 31 March 2018.

	Total distribution
Fund payment (subject to fund payment withholding)	2.53784
Interest income (subject to other non-resident withholding)	0.07834
Foreign income (subject to New Zealand corporate tax)	0.27334
Tax deferred	2.19120
Total cash distribution	5.08073

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.

General unitholder tax information

The Fund and its management arrangements are structured to meet the required criteria to be classified as an Attribution Managed Investment Trust for Australian tax purposes. As an Attribution Managed Investment Trust, the responsible entity will be required to withhold tax on Australian sourced income at a concessional rate of 15% on distributions to individual and institutional unitholders in South Africa.

The New Zealand sourced income is subject to the corporate tax rate in New Zealand of 28%, and is not subject to Australian withholding tax.

The effect of these taxes on the Fund's distribution for the period from 1 October 2017 to 31 March 2018 has been reduced to 8.51655%, equivalent to 0.43270 AUD cents per unit, through certain deductions such as depreciation. Thus, tax of 0.43270 AUD cents per unit will be withheld from the distribution accruing to unitholder and will be paid to the Australian Taxation Office for Australian sourced income and the New Zealand Inland Revenue Department for New Zealand sourced income.

South African unitholder tax information

The distribution is regarded as a foreign distribution for South African unitholders.

The distribution comprises gross income, and is to be taxed as such, in the hands of South African investors. The pre tax distribution is to be included in an investors' taxable income and subject to normal tax in full. Tax paying unitholders will be able to claim a rebate equivalent to 8.51655% per unit against tax paid in Australia and New Zealand. Non-tax paying unitholders will not be entitled to claim a rebate.

By order of the board

Investec Property Limited
Company Secretary

15 May 2018

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

Established on 12 December 2012 in Sydney, Australia. Registered as a Managed Investment Scheme with ASIC under the Corporations Act 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.

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

Manager

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

Transfer Secretaries

Computershare Investor Services Pty Limited
Rosebank Towers
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(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)
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Australia