

INVESTEC AUSTRALIA PROPERTY FUND

Established in Australia and registered with ASIC as a managed investment scheme (ARSN 162 067 736)

Operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) ("**Responsible Entity**")

Registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No.45 of 2002

Unit code: IAP

ISIN: AU0000046005

(**IAP** or the **Fund**)

Proposal to internalise management of IAPF and acquire investment and asset management rights to the TAP Fund and cautionary announcement

Further to the announcement made by Investec Property Limited ("**Responsible Entity**") as responsible entity for Investec Australia Property Fund ("**IAPF**") on 10 June 2020, the Responsible Entity today announces that it has entered into an implementation deed ("**Implementation Deed**") with Investec Bank plc and Investec Australia Limited, both members of the Investec Group ("**Investec Group**") in relation to a proposal to internalise the management function of IAPF by creating an internally managed stapled group ("**the Proposal**").

The key elements of the Proposal will involve:

- the stapling of a new registered managed investment scheme ("**IAPF II**" and together with IAPF, the "**IAPF Group**") to IAPF to form a new internally managed stapled group which will be listed on the Australian Securities Exchange ("**ASX**") and the Johannesburg Stock Exchange ("**JSE**");
- an acquisition by IAPF II of the shares in Investec Australia Property Holdings Pty Limited ("**IAPH**") (being the holding company of the Responsible Entity, the manager of IAPF and certain other entities that operate the business of IAPF), through which IAPF II will acquire the management rights of IAPF;
- the transfer of the current IAPF management team to a subsidiary of IAPF II, which will provide the staff and resources necessary for the management and day-to-day operations of IAPF;
- the establishment of a third party funds management platform through the acquisition of the investment and asset management rights of Templewater Australia Property I, L.P. and its sub-trusts ("**TAP Fund**"), a third-party fund with a broad mandate to invest in opportunistic transactions in the Australian and New Zealand real estate markets. IAPF II will also provide asset management services in respect of certain assets in which the Investec Group holds an interest;
- a commitment by IAPF II to invest up to \$30 million in the TAP Fund, which will take the form of a loan initially, convertible into equity at IAPF II's election; and
- the payment of consideration of \$40 million¹ by IAPF II to the Investec Group to acquire the management rights of IAPF as well as the management rights of the TAP Fund ("**Total Consideration**"). The Total Consideration represents 9.0 times annualised forecast FY21 EBIT² of the assets and rights to management fee income that IAPF is acquiring.

The Total Consideration and associated transaction costs of approximately \$6.7 million will be funded utilising IAPF's existing debt facility. The investment in the TAP Fund will be funded by a new debt tranche that will be added to the existing facility agreement of IAPF.

The Proposal is subject to the approval of unitholders (excluding the votes of members of the Investec Group) by way of an ordinary resolution at the extraordinary general meeting ("**Meeting**") to be held on Tuesday, 17 November 2020 and the satisfaction or waiver of certain customary conditions precedent.

Independent Directors' assessment and rationale for the Proposal

A committee comprising the independent directors of the Responsible Entity, being Richard Longes, Sally Herman, Hugh Martin and Georgina Lynch (together, the "**Independent Directors**"), was formed

¹ Subject to certain adjustments outlined in the Implementation Deed

² EBIT refers to earnings before interest and tax.

to consider the Proposal. The Independent Directors adopted a strict governance and information sharing protocol to ensure independent consideration of the Proposal and external legal, tax, financial and accounting advisors were engaged to advise the Independent Directors in relation to the Proposal.

The Independent Directors believe that the long-term interests of unitholders would be best served by an internalised management structure. This would not only provide enhanced governance and increase alignment of interests consistent with industry standards, but ensure the retention of the existing management team and facilitate the future growth of IAPF. The Independent Directors acknowledge that there may be potential risks and disadvantages associated with the Proposal but consider that the advantages of the Proposal outweigh the disadvantages and risks. The advantages, disadvantages and risks will be set out in the Booklet (defined below) to be dispatched to unitholders in connection with the Meeting.

Independent Expert's Report

The Independent Directors have appointed Deloitte Corporate Finance Pty Limited ("**Independent Expert**") to prepare an Independent Expert's Report on the Proposal. The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, unitholders not associated with the Investec Group.

Details of the Independent Expert's opinion and the basis for the Independent Expert's conclusions, including its valuation methodology and analysis, will be set out in the Independent Expert's Report, which will be included in the Booklet (defined below) to be dispatched to the unitholders.

Implementation Deed

The key terms of the Implementation Deed include:

- conditions precedent which must be satisfied or waived for the Proposal to proceed;
- circumstances under which the Responsible Entity or the Investec Group may terminate the Implementation Deed;
- detailed stapling steps, acquisition steps and restructure steps to be implemented in connection with the Proposal;
- customary restrictions on conduct of business by IAPH and its subsidiaries prior to the implementation of the Proposal;
- no shop, no talk and notification obligations on the Responsible Entity and the Investec Group; and
- representations, warranties and indemnities given by the Investec Group in relation to IAPH and its subsidiaries which are customary for a transaction of this nature.

A summary of the conditions precedent to the implementation of the Proposal, termination rights for the Responsible Entity and the Investec Group, payments to be made by the Investec Group to the Responsible Entity and no shop, no talk and notification obligations are set out in the Annexure. A more detailed summary of the Implementation Deed will be included in the Booklet (defined below).

Explanatory Memorandum, Notice of Meeting and Product Disclosure Statement

Unitholders will receive a combined Explanatory Memorandum, Notice of Meeting and Product Disclosure Statement ("**Booklet**"). The Booklet will include a more detailed explanation of the Proposal, including the basis for the Independent Director's recommendation, advantages, disadvantages and risks of the Proposal and financial consequences of the Proposal, and a copy of the Independent Expert's Report.

The Notice of Meeting, which includes details of the extraordinary general meeting and how to vote on the resolution to approve the Proposal, will be sent to unitholders as part of the Booklet.

It is expected that the Booklet will be dispatched to unitholders on Tuesday, 20 October 2020 following receipt of formal approval by the JSE. Unitholders should read the Booklet before deciding how to vote on the Proposal.

Key dates

Event	Indicative date
Dispatch the Booklet to unitholders	Tuesday, 20 October 2020
Meeting date	5.00pm (Sydney time) / 8.00am (Johannesburg time) on Tuesday, 17 November 2020

If the Proposal is approved by unitholders and all other conditions precedent in connection with the Proposal are fulfilled:

Implementation date Monday, 30 November 2020

Note: The timetable above is indicative only and may change without notice. Any changes to the above timetable will be announced through the ASX and the JSE and on IAPF's website at www.iapf.com.au.

Further details on the timetable of the Proposal will be included in the Booklet to be dispatched to unitholders and released to the ASX and the JSE on the dispatch date.

The Independent Directors have been advised by JP Morgan (Australia) Limited and Macquarie Capital (Australia) Limited as financial advisors and King & Wood Mallesons as legal counsel in Australia and Investec Bank Limited as financial advisor and Cliffe Dekker Hofmeyr as legal counsel in South Africa.

Categorisation of the Proposal

The Proposal has been categorised as a related party transaction in terms of the JSE Listings Requirements on the basis that the Responsible Entity is a related party of Investec Bank plc by virtue of Investec Bank plc being the ultimate holding company of Investec Property Management Pty Limited, the manager of IAPF.

Cautionary

Unitholders should exercise caution when dealing in the units of IAPF until the Booklet is released on the ASX and the JSE and dispatched to unitholders. Unitholders should review the Booklet in full, and consult their stockbroker, accountant, or financial, tax or legal adviser if they are uncertain about the impact of the Proposal on their particular investment objectives.

A copy of the announcement released to the ASX will be available for inspection by unitholders using the following link:

<https://www2.asx.com.au/markets/company/IAP>

Johannesburg
15 October 2020

Investment Bank and Sponsor
Investec Bank Limited

Annexure – Terms of the Implementation Deed

Parties	The Responsible Entity as responsible entity of IAPF I and IAPF II, Investec Bank plc (" Seller ") and Investec Australia Limited (" Investec Australia ")
Conditions precedent	<p>The conditions precedent of the Proposal set out in the Implementation Deed are as follows:</p> <ul style="list-style-type: none"> (a) (Unitholder approval) the Unitholders approving the resolution to approve the Proposal by the requisite majorities at the meeting of the Unitholders; (b) * (Independent Expert) the Independent Expert's Report concluding that the Proposal is fair and reasonable to, and in the best interests of, the non-associated Unitholders, and the Independent Expert not changing its conclusion or withdrawing its report prior to the Meeting; (c) (regulatory approval) all necessary regulatory approvals having been obtained on terms which are acceptable to the Responsible Entity or, where the approval is reasonably likely to have a materially adverse impact on the Investec Group, on terms which are acceptable to both the Responsible Entity and the Seller; (d) (no regulatory action) as at 9.00am on the Implementation Date, there being no preliminary or final decision issued by a government agency and no application being made to any government agency, or action or investigation being announced, threatened or commenced by a government agency, which restrains, prohibits or otherwise materially adversely affects the implementation of the Proposal; (e) (legal restraints) as at 9.00am on the Implementation Date, no court issuing a final and non-appealable order or taking any other action which permanently restrains or prohibits the Proposal, or there being any other material legal restraint or prohibition preventing the implementation of the Proposal; (f) (third party consents) all other third party approvals which the parties agree are reasonably necessary to implement the Proposal being obtained on terms which are acceptable to the Responsible Entity or, where the approval is reasonably likely to have a materially adverse impact on the Investec Group, on terms which are acceptable to both the Responsible Entity and the Seller; (g) * (employment arrangements) key management personnel executing the management employment agreements; and (h) (Restructure Steps) the restructure steps specified in Schedule 2 of the Implementation Deed being completed in accordance with that schedule. <p>The conditions with an "*" are for the benefit of, and may be waived by, the Responsible Entity only.</p>
Termination rights	<p>Either the Responsible Entity or the Seller may terminate the Implementation Deed in the following circumstances:</p> <ul style="list-style-type: none"> • at any time immediately by written agreement between the parties; • at any time before the Meeting Date, if the Independent Directors decline to recommend, withdraw or adversely modify their recommendation of the Proposal in circumstances permitted under the deed; • if the Proposal is not approved by the requisite majorities at the meeting of the Unitholders; or • if any of the conditions precedent are not satisfied or waived by the dates specified in the Implementation Deed, including if the condition precedent to obtain regulatory approvals is not satisfied by the end date of 31 March 2021. <p>The Responsible Entity may terminate the Implementation Deed in the following circumstances:</p> <ul style="list-style-type: none"> • at any time if the Seller or Investec Australia is in material breach of the Implementation Deed which is not remedied by the earlier of 5 business days after it receives a notice setting out the breach or the scheduled time for completion; • at any time if the Seller is in breach of its no shop or no talk obligations; • at any time if the Seller, Investec Australia or any of IAPH or its subsidiaries becomes insolvent; or • at any time if a prescribed event set out in the Implementation Deed occurs, other than to the extent the Independent Directors directly caused the occurrence of the prescribed event. <p>The Seller may terminate the Implementation Deed in the following circumstances:</p> <ul style="list-style-type: none"> • at any time if the Responsible Entity is in material breach of the Implementation Deed which is not remedied by the earlier of 5 business days after the it receives a notice setting out the breach or the scheduled time for completion; • at any time if IAPF becomes insolvent; or • at any time if the Responsible Entity is in breach of its no shop or no talk obligations.
Retention payments	<p>Investec Australia agrees to pay \$2.66 million to the Responsible Entity (on behalf of the employer) in connection with the existing retention scheme established by Investec Australia. The maximum retention payments payable to all employees participating in the retention scheme is, in aggregate, \$3,474,159 (excluding payroll tax). Subject to receipt of this amount from Investec Australia, the employer will be responsible for paying the retention payments to the relevant employees as and when they become payable in accordance with the terms and conditions of the retention scheme.</p>

TAP Fund make-whole payment	<p>The Seller also undertakes to compensate the Responsible Entity on a pro rata basis if the annualised revenue in connection with the TAP Fund for FY21, comprising asset management fees and investment management fees, is less than the annualised costs in connection with the TAP Fund for FY21 of \$2.6 million. If the revenue earned in connection with the TAP Fund during the period from the Implementation Date to 31 March 2021 is less than the costs incurred in connection with the TAP Fund for that period (being \$2.6 million pro rated by the number of days from the Implementation Date to 31 March 2021), the Seller will pay the shortfall to the Responsible Entity.</p>
No shop, no talk and notification obligations	<p>The Seller must not:</p> <ul style="list-style-type: none"> • until the earlier of the Implementation Date and the Responsible Entity commencing discussions in relation to a Competing Proposal (where permitted to do so in accordance with the exclusion to the no talk obligations described below), initiate, induce, solicit or invite any enquiries, negotiations or discussions with a view to obtaining any offer, proposal or expression of interest from any third party in relation to an IAPH Competing Transaction; or • until the earlier of the Implementation Date and the Responsible Entity commencing discussions in relation to a Competing Proposal (where permitted to do so in accordance with the exclusion to the no talk obligations described below), negotiate or enter into, or participate in negotiations or discussions with any other person regarding an IAPH Competing Transaction, or otherwise provide any person with information or respond to inquiries that may lead to an IAPH Competing Transaction. <p>The Responsible Entity must:</p> <ul style="list-style-type: none"> • until the Implementation Date, not initiate, induce, solicit or invite any enquiries, negotiations or discussions with a view to obtaining any offer, proposal or expression of interest from any third party in relation to a Competing Proposal; • until the Implementation Date, not negotiate or enter into, or participate in negotiations or discussions with any third party in relation to a Competing Proposal; or • until the Implementation Date, inform the Seller within 2 Business Days if it receives a Competing Proposal. <p>However, the no talk obligations do not apply to the Responsible Entity to the extent that they restrict the Responsible Entity from taking or refusing to take any action with respect to a Competing Proposal, provided that the Responsible Entity or the Independent Directors have determined that such Competing Proposal could reasonably be considered to become a Superior Proposal and have received external legal advice that failing to respond to such a Competing Proposal would breach the Responsible Entity's or the Independent Director's fiduciary or statutory obligations.</p> <p>"IAPH Competing Transaction" means any transaction which if completed would result in a third party:</p> <ul style="list-style-type: none"> • directly or indirectly, acquiring a relevant interest in, or becoming the holder of, 50% or more of the shares in IAPH or any of its subsidiary, or all or a substantial part of IAPH's business, including by way of capital reduction, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee; • directly or indirectly, acquiring control of IAPH or any of its subsidiary within the meaning of section 50AA of the Corporations Act 2001 (Cth); or • directly or indirectly, acquiring any rights or interests in relation to any asset, property or investment management arrangement relating to IAPF (including legal, beneficial or economic interests, <p>or any merger or amalgamation (whether by way of takeover or other arrangement), acquisition or sale of substantial business or assets, issue of securities, reorganisation of capital or similar transaction involving IAPH or any of its subsidiary, or any combination of them.</p> <p>"Competing Proposal" means any proposal by a third party in relation to a transaction or arrangement under which if such transaction or arrangement is completed:</p> <ul style="list-style-type: none"> • a person would acquire (directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in the whole or a substantial part of the business conducted by IAPF or its assets or its related bodies corporate; • a person would acquire a relevant interest in, or voting power of, 50% or more of all IAPF units on issue; • a person would acquire (directly or indirectly) control of IAPF within the meaning of section 50AA of the Corporations Act 2001 (Cth); • a person would otherwise acquire, or merge or amalgamate with, IAPF; or • IAPF would be required to abandon or otherwise fail to proceed with the Proposal. <p>"Superior Proposal" means a bona fide Competing Proposal which the Independent Directors have determined, in good faith after consultation with their external professional advisors, is in their reasonable opinion:</p> <ul style="list-style-type: none"> • reasonably capable of being completed, taking into account all aspects of the Competing Proposal and the person making it; and • more favourable to the Unitholders (as a whole) than the Proposal, taking into account all the terms and conditions of the Competing Proposal.