INVESTEC AUSTRALIA PROPERTY FUND
Incorporated and 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
Operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) ("**Responsible Entity**")
Share code: IAP
ISIN: AU60INL00018
("**IAPF**" or the "**Fund**")

ACQUISITION OF NEW PROPERTY

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1. Acquisition

Unitholders are advised that the Fund has entered into a contract for sale with Shannon Wicks Pty Ltd to acquire the property located at 113 Wicks Road, Macquarie Park NSW 2113 (**Property**).

The effective date of the acquisition of the Property is the settlement date under the contract for sale, which is scheduled for 1 July 2016.

2. Purchase consideration

The purchase consideration is AUD 23,255,000 which represents an annualised property yield of 7.0% (6.6% post all transaction costs).

The purchase consideration and all transaction costs will be funded through the existing syndicated debt facility with Westpac Banking Corporation and Australia and New Zealand Banking Group at a margin of 135 basis points. The Fund's gearing post the acquisition of the Property will be 31.8%.

3. Rationale for acquisition of the Property

The acquisition of the Property is consistent with the Fund's strategy of investing in well located, high quality assets. The Responsible Entity is actively seeking opportunities to grow and diversify the Fund's asset base, enhance unitholder value and contribute to sustainable income growth. The acquisition of the Property represents an attractive investment for the Fund for the following reasons:

- The Property provides 3,114m² of office accommodation and 3,164m² of warehouse space over three levels, 148 parking spaces and is located just 12 kms north west of the Sydney CBD. The acquisition increases the Fund's exposure to New South Wales, which is Australia's largest and most successful economy.
- The Property is well located in close proximity to the M2 motorway and other key infrastructure such as Macquarie Central, one of Sydney's largest regional shopping centres, and the Macquarie University main campus. The Property is approximately 600 metres from both North Ryde and Macquarie Park train stations, which are currently undergoing major upgrades as part of the Sydney Metro Rail Link works (Australia's largest public infrastructure project).
- Macquarie Park is the best value metropolitan office market in Sydney. The average office rents at the Property are AUD 275/m², which compares favorably to other metropolitan A-grade office markets such as North Sydney (AUD 600/m²), Parramatta (AUD 445/m²), Chatswood (AUD 480/m²) and Rhodes (AUD 380/m²).
- With significant infrastructure network upgrades and the creation of further retail amenity, Macquarie Park is an improving precinct and is positioned to outperform other Sydney metropolitan office markets in terms of potential rental growth.
- Due to progressive rezonings to residential and pure office redevelopments, most of Macquarie Park's warehouse stock has been permanently withdrawn making the mix of office accommodation and warehouse space at the Property attractive to tenants.
- The Property has the potential for a future rezoning outcome, which could significantly increase the value of the Property over time (see section 4 below for more information).
- The Property is leased to high quality tenants including:
  i. Mine Site Technologies (**MST**) – MST is an engineering technology provider with global operations on four continents, over 250 employees and organisational revenue of c. AUD70 million per

annum. The Property is MST's global headquarters and is used for product development, testing, front office and sales. MST's lease expiry is April 2019 (38% by income).

ii. NSW Health (**NH**) – NH is a non-corporate NSW Government entity. The NSW Government represents one of the strongest tenant covenants within the Australian market. NH has recently entered into a new 5 year lease at the Property, expiring in June 2021 (23% by income).

iii. Telstra (**TEL**) – TEL is Australia's largest telecommunications provider and media-company which builds and operates telecommunications networks, mobile, internet access, pay television and other entertainment services. TEL employs over 30,000 employees worldwide and is listed on the ASX with a c. AUD68 billion market capitalisation. TEL's lease expiry is February 2021 (18% by income).

iv. King's Transport (**KT**) – KT is an Australian owned and operated Metropolitan transport and logistics company established in 1991 which employs more than 700 staff in offices across Australia and New Zealand. KT is one of Australia's largest privately owned third party logistics providers. KT's lease expiry is March 2022 (15% by income).

- The Property has recently undergone an extensive capital works upgrade valued at approximately AUD 1.3 million and there is limited short to medium term need to expend further money on the Property.
- Acquisition of the Property will result in an increase in the Fund's depreciation shield from 48.3% to 49.3%, which reduces the amount of withholding tax paid in Australia.
- The WALE is 4.2 years and contracted annual rental growth is approximately 3.5%.

4. Upzoning Potential

The Property is adjacent to the 9 hectare North Ryde Station High Density Residential Precinct, known as 'Lachlan's Line', which will ultimately provide for 2,700 apartments and accommodate 5,000 residents within the next 5 years.

Adjoining land owners to the Property in the Wicks Road South Precinct have formed an owners group with a view to upzoning the existing precinct from a mixture of B3 and B7 zoning (residential non-permissible) to a higher density B4 zoning (residential permissible as part of a mixed use development). The amalgamated Wicks Road South Precinct provides a total site area of approximately 6 hectares which, given the scale, is considered a site large enough for the NSW Department of Planning & Environment to consider as an upzoning precinct in isolation of wider planning legislation.

The Fund's view is that an upzoning outcome over the medium term for the Property is likely. Post completion of the acquisition, the Fund will work closely with the owners group to lobby for an upzoning outcome which, if successful, could significantly increase the value of the Property over time.

5. Specific information relating to the Property

Registered description	Lot 9 on Deposited Plan 1046090
Title	Freehold
Sector	Office / warehouse
Location	Macquarie Park, 12 kms north west of the Sydney CBD
Year built	1989 with extensive refurbishment in 2014
Site area	6,812m^2
GLA	6,278m^2
Rent per m^2	AUD 275/m^2 office; AUD 149/m^2 warehouse
Vacancy	0%

The Property has been valued at AUD 23,255,000 as at 1 July 2016 (being the effective date of the acquisition of the Property) by CBRE Valuations Pty Ltd, trading as CBRE (ABN 15 008 912 641). The valuer, Kenneth Duncanson, is an independent valuer and is an Associate of the Australian Property Institute and a Certified Practicing Valuer (registration no.12486).

6. Forecast information on the acquisition of the Property

The forecasts have been prepared with effect from 1 July 2016 and include forecast results for the periods ending 31 March 2017 and 31 March 2018.

The forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the board of directors of the Responsible Entity. The forecasts have not been reviewed or reported on by the independent reporting accountants.

The forecasts presented in the table below relate to the Property only and have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS.

	Forecast 9 months ending 31 March 2017 AUD'000	Forecast 12 months ending 31 March 2018 AUD'000
Revenue (including straight line revenue adjustment)	1,577	2,110
Total property expenses	(379)	(511)
Net property income	1,198	1,599
Fund and asset management fees	(93)	(140)
Net operating income before finance charges	1,105	1,459
Finance costs	(628)	(942)
Net profit attributable to equity holders	477	518
Less: straight line revenue adjustment	(10)	35
Distributable income pre-withholding tax	467	553
Distributable income post-withholding tax	467	553

Notes:

1. Distributions are payable to unitholders attributable to the acquisition of the Property and are partially shielded by depreciation allowances.
2. Material expenditure items relate to Fund and asset management fees (approximately 20% of total expenses).
3. No material expenditure items have been increased in the forecast period ending 31 March 2018 by more than 15% over the previous financial period.
4. The finance costs assume an all in cost of funds of 3.83% with 75% of the cost of funds fixed via interest rate swaps (in accordance with the Fund's interest rate hedging policy) for 8, 9 and 10 years.

7. Categorisation

The acquisition of the Property is a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by unitholders.

Johannesburg
24 June 2016

Investment Bank and Sponsor
Investec Bank Limited