

INVESTEC AUSTRALIA PROPERTY FUND

Established in Australia and registered with ASIC as a managed investment scheme (ARSN 162 067 736) and 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 2003

Unit code: IAP

ISIN: AU0000046005

("IAP" or the "Fund")

ACQUISITION OF INDUSTRIAL PORTFOLIO

Introduction

Investec Property Limited as responsible entity of Investec Australia Property Fund ("**IAP**") is pleased to advise unitholders that it has (through wholly owned sub trusts of IAP) entered into the following arrangements:

- a contract for sale with The Trust Company (Australia) Limited ACN 004 027 749 as custodian of Bieson Pty Limited ACN 110 465 168 as trustee for the Welshpool Logistics Trust ABN 37 184 989 983 to acquire the property located at 103 Welshpool Road, Welshpool WA ("**Welshpool Property**");
- a contract for sale with The Trust Company (Australia) Limited ACN 004 027 749 as custodian of Bieson Pty Limited ACN 110 465 168 as trustee for the Gillman Logistics Trust ABN 79 924 994 352 to acquire the property located at 46-70 Grand Trunkway, Gillman SA ("**Gillman Property**"); and
- a contract for sale with The Trust Company (Australia) Limited ACN 004 027 749 as custodian of Bieson Pty Limited ACN 110 465 168 as trustee for the CPIF Port of Darwin Logistics Trust ABN 59 786 272 447 to acquire the property located at 16 Dawson Street, East Arm NT ("**East Arm Property**"),

(together, the **Acquisitions**).¹

The purchase consideration for the Welshpool Property is AUD 26 500 000 (excluding transaction costs and subject to customary adjustments). The purchase consideration equates to an initial passing yield of 6.6% (pre transaction costs).

The purchase consideration for the Gillman Property is AUD 25 500 000 (excluding transaction costs and subject to customary adjustments). The purchase consideration equates to an initial passing yield of 6.8% (pre transaction costs).

The purchase consideration for the East Arm Property is AUD 29 000 000 (excluding transaction costs and subject to customary adjustments). The purchase consideration equates to an initial passing yield of 8.4% (pre transaction costs).

Funding of the Acquisitions

IAP has today launched an approximate AUD 84 million fully underwritten placement of 55,572,533 million new units ("**New Units**") at a fixed issue price of AUD 1.52 per New Unit ("**Placement**"), representing a:

- 3.8% discount to the last close of AUD 1.58 on the ASX on Wednesday, 25 September 2019
- 5.3% discount to the 5 day VWAP of AUD 1.61 on the ASX on Wednesday, 25 September 2019
- 3.0% discount to the last close of ZAR15.83 on the JSE on Wednesday, 25 September 2019

¹ Each of vendors to the Acquisitions is a sub trust of the Charter Hall Prime Industrial Fund.

- 2.2% discount to the 5 day VWAP of ZAR15.71 on the JSE on Wednesday, 25 September 2019
- 5.8% FY20 distribution yield²

New Units issued under the Placement will rank equally with existing IAP units on issue and will be entitled to the distribution for the six months to 30 September 2019.³

No Investec group entities (including Investec Bank Limited and Investec Property Fund Limited in respect of their principal stake) will participate in the Placement.⁴ Therefore, the Placement is expected to further diversify the Fund's register, increase free float and facilitate improvements in the liquidity of units.

The funds raised under the Placement will be used to fund the Acquisitions and part of the associated transaction costs, with the balance funded from undrawn capacity within the debt facility provided by Westpac and ANZ.

Further details of the Placement are contained in the announcement relating to the Placement lodged on SENS dated today's date, 26 September 2019.

Background to and rationale for the Acquisitions

Welshpool Property

- Located 10kms south east of the Perth CBD and 4kms south west of Perth Airport on one of the busiest intersections in Perth (Welshpool Road and Leach Highway intersection)
- The site comprises three separate lots which may be sold off separately upon redevelopment or reconfigured
- Low site coverage ratio of 16%
- Occupied by Milne Feeds, a division of Milne AgriGroup Pty Ltd, one of the largest integrated agribusiness groups in Western Australia
- Tenant has operated from the site for approximately 100 years
- Location is key to the tenant given its close proximity to key ingredient providers and its distribution network
- Long WALE of 8.7 years by income
- Annual rental escalations of 3.25%

Gillman Property

- Located 15kms north west of the Adelaide CBD and 10kms south of Flinders Adelaide Container Terminal
- Strategic location close to the port, rail and major road transport routes to the north via the northern expressway
- Improvements comprise a large warehouse facility utilised as a storage and distribution centre primarily for wool products with excellent accessibility and drive-around access
- Occupied by Australian Wool Handlers, one of the world's largest wool and independent cotton handlers providing storage, handling, freight forwarding and inventory management services for import, export and domestic distribution
- Tenant has operated from the site for 33 years
- Long WALE of 8.3 years
- Annual rental escalations of 3.00% or CPI (whichever is greater)
- No stamp duty in South Australia

² Based on IAP's FY20 DPU guidance of 8.88 cents per unit (barring any unforeseen events and no material change in current market conditions).

³ The record date for the 30 September 2019 distribution will post-date the allotment of New Units under the Placement, and is expected to be announced together with the Fund's 1H20 interim results.

⁴ The Investec group entities hold a relevant interest in IAP units in excess of 20% and are therefore prohibited from acquiring further interests under the Corporations Act 2001 (Cth) unless an applicable exemption applies.

- Buying at below replacement cost

East Arm Property

- Located 17kms south east of Darwin's CBD and within immediate proximity to North Shell Island, Darwin's main industrial freighting port and right next to the intermodal rail freight in East Arm
- Strategic location close to the port and rail
- Improvements comprise a newly constructed A-grade warehouse facility utilised for logistics purposes and a container rated hardstand
- Occupied by Northline, one of Australia's leading supply-chain providers, established in 1983 with 13 locations around Australia
- Long WALE of 7.9 years
- Annual rental escalations of 3.00%

Property specific information

Welshpool Property

| | |
|-----------------------------|---------------------------------------------------------------------------------------|
| Registered description | Lot 8 on Diagram 78445, Lot 501 on Diagram 53872 and Lot 601 on Deposited Plan 404603 |
| Title | Freehold |
| Sector | Industrial |
| Location | 103 Welshpool Road, Welshpool WA |
| Year built | Not specified |
| Site area | 31 899m ² |
| Lettable area | 5 246m ² |
| Rent per m ² | AUD 335 |
| Vacancy | 0% |
| WALE | 8.7 years |
| Estimated transaction costs | AUD 1 431 000 |

The Welshpool Property has been valued at AUD 26 500 000 as at 30 September 2019 by Savills Valuation Pty Ltd. The valuer, Ryan Jacob, is an independent valuer and a certified practicing valuer (licenced valuer no.44673).

Gillman Property

| | |
|-----------------------------|--------------------------------------|
| Registered description | Allotment 31 on Deposited Plan 90543 |
| Title | Freehold |
| Sector | Industrial |
| Location | 46-70 Grand Trunkway, Gillman SA |
| Year built | 1986 |
| Site area | 65 060m ² |
| Lettable area | 31 589m ² |
| Rent per m ² | AUD 55 |
| Vacancy | 0% |
| WALE | 8.3 years |
| Estimated transaction costs | AUD 63 750 |

The Gillman Property has been valued at AUD 25 500 000 as at 30 September 2019 by Savills Valuation Pty Ltd. The valuer, Alastair Johnston, is an independent valuer and a certified practicing valuer (licenced valuer no.64222).

East Arm Property

| | |
|------------------------|-----------------------------------------------------|
| Registered description | Section 7105 Hundred of Bagot from plan LTO2014/100 |
| Title | Freehold |

| | |
|-----------------------------|-------------------------------|
| Sector | Industrial |
| Location | 16 Dawson Street, East Arm NT |
| Year built | 2015 |
| Site area | 39 900m ² |
| Lettable area | 14 410m ² |
| Rent per m ² | AUD 170 |
| Vacancy | 0% |
| WALE | 7.9 years |
| Estimated transaction costs | AUD 1 798 000 |

The East Arm Property has been valued at AUD 29 00 000 as at 30 September 2019 by Savills Valuation Pty Ltd. The valuer, Alastair Johnston, is an independent valuer and a certified practicing valuer (licenced valuer no.64222).

Forecast information

Set out below are the forecast revenue, operational net income, net profit attributable to equity holders and earnings available for distribution from the Acquisitions (the “forecast”) for the 6 months ending 31 March 2020 and the year ending 31 March 2021 (the “forecast period”).

The forecast has been prepared on the assumption that the Acquisitions will be implemented on 30 September 2019 (notwithstanding that the settlement date under the contracts for sale is scheduled for 10 October 2019) and on the basis that the forecast includes forecast results for the duration of the forecast period.

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 Acquisitions only and have been prepared in accordance with the Fund’s accounting policies and in compliance with International Financial Reporting Standards.

| | Forecast 6 months ending 31 March 2020 AUD'000 | Forecast 12 months ending 31 March 2021 AUD'000 |
|----------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|
| Revenue, including straight line adjustment | 3,509 | 7,058 |
| Total property expenses | (190) | (389) |
| Net property income | 3,319 | 6,670 |
| Fund management fees | (233) | (466) |
| Fund operating costs | (57) | (113) |
| Net operating income before finance charges | 3,030 | 6,091 |
| Finance costs | (1,555) | (3,110) |
| Net profit attributable to equity holders | 1,474 | 2,980 |
| Less: straight line revenue adjustment | (366) | (592) |
| Distributable income pre-withholding tax | 1,108 | 2,388 |
| Distributable income post-withholding tax | 1,009 | 2,167 |

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. Contracted revenue is based on existing lease agreements including stipulated increases.
2. There are no leases expiring during the forecast period.
3. Of the rental income of AUD 3 508 663 for the 6 months ending 31 March 2020, 100% relates to contracted rental income.
4. Of the rental income of AUD 7 058 307 for the year ending 31 March 2021, 100% relates to contracted rental income.
5. Material expenditure items relate to Fund and asset management fees (approximately 11% of total expenses).
6. No material expenditure items have been increased in the forecast period ending 31 March 2020 by more than 15% over the previous financial period.
7. The finance costs assume an all-in cost of funds of 3.84% per annum for the Acquisitions. At least 75% of the cost of the Fund's total debt will be fixed via interest rate swaps (in accordance with the Fund's interest rate hedging policy) for 5, 7, 8, 9 and 10 year periods.
8. Distributions are payable to unitholders attributable to the Acquisitions and are partially shielded by depreciation allowances.
9. A fair value adjustment is recognised in relation to the transaction costs.
10. There will be no unforeseen economic factors that will affect the lessees' ability to meet their commitments in terms of existing lease agreements.

Conditions precedent

The Acquisitions are inter-conditional on each other. There are no other conditions precedent to settlement.

The effective date of the Acquisitions is the settlement date under the contracts for sale, which is anticipated to be 10 October 2019.

Categorisation

The Acquisitions (taken together) are a category 2 transaction in terms of section 9 of the JSE Listings Requirements and accordingly does not require approval by unitholders.

Johannesburg
26 September 2019

Investment Bank and Sponsor
Investec Bank Limited