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Successful strategy implementation delivers strong performance

Interim Results to 30 September 2016

Highlights

- Interim distribution of 4.81 cents per unit (cps) pre WHT – growth of 6% in AUD
- AUD 89.3 million deployed in a competitive market
- AUD 601.2 million total portfolio value – growth through acquisitions and valuation uplift
- Full year growth guidance of 6-8% maintained in hard currency
- 2.1% NAV per unit growth
- Long WALE of 5.5 years with 56% of leases expiring after five years
- 98.1% occupancy supported by high quality tenants
- Historically low funding rates prevail – 3.53% all in funding rate

Investec Australia Property Fund ("IAPF" or the "Fund") is pleased to announce an interim distribution of 4.81 cents per unit pre withholding tax ("WHT") and 4.64 cents per unit post WHT for the six months to 30 September 2016.This represents growth of 6.0% pre WHT and 8.7% post WHT for the half year. The Fund delivered the best total return of the inward listed stocks over the last 12 months. This performance was achieved as a result of accretive acquisitions, fixed rental escalations built into leases and successful letting of vacant space acquired at properties such as 266 King Street, Newcastle.

The Fund has benefitted from the successful transition of its listing strategy of building a stable base portfolio that delivers a sustainable income stream to more active management strategy designed todiversify the Fund's asset base as well asmaximise property performance and capital value through leasing acquired vacancy and undertaking capital improvement works.

Commenting on the Fund's performance IAPF CEO Graeme Katz said: "Australia remains a competitive market with a significant amount of domestic and offshore capital chasing a limited number of investment opportunities, as a result, the last nine months have seen an adjustment in our strategy. In response to current market conditions we have recently added properties that require a degree of asset management to our portfolio. The buildings still exhibit the strong property fundamentals that have contributed to the consistent, defensive performance of the Fund but also exhibit the potential for higher yields and opportunities to drive capital value. This value is achieved by leasing up the vacant space, enhancing building amenities, active monitoring of operating expenses and looking for opportunities to create additional income streams."

The Fund's most recent acquisitions of 113 Wicks Road, Macquarie Park and 324 Queen Street, Brisbane are a continuation of this strategy. 113 Wicks Road, Macquarie Park is a quality property delivering a 7.0% initial yield with a potential for a re-zoning to mixed use which will result in a higher and better use and a corresponding valuation uplift. It also increases the Fund's exposure to New South Wales which continues to be Australia's largest and best performing economy. 324 Queen Street, Brisbane (which was acquired post the end of the period) has 20% vacancy and the Fund has identified a number of opportunities to enhance yield and add value through active asset management. Whilst the Queensland economy has felt the effects of a slow-down in the resources sector, which in turn has impacted the commercial property market, there are positive signs beginning to emerge in that market such as positive net absorption, decreasing vacancy and an increase in effective rents.

The Fund has benefited from leasing activity carried out during the period. Most notably at 266 King Street, Newcastle where the letting up of acquired vacancy has resulted in the property yield increasing from 8.21% to 9.18% and the property value increasing by AUD 7.3 million and at 757 Ann Street, Brisbane where the replacement of vendor leases with third party leases has seen the property value increase by AUD 4 million.

The portfolio will be 98.1% occupied post the acquisition of 324 Queen Street, Brisbane. Excluding 324 Queen Street, Brisbane the portfolio is 100% occupied. The Fund's lease expiry profile remains strong with a weighted average lease expiry of 5.5 years by income and 56% of leases expiring after five years. The Fund therefore continues to provide investors with long term sustainable income.

The Fund’s average gearing during the period was 30.4% but will increase to 38.9% as a result of the acquisition of 324 Queen Street, Brisbane. The Fund’s long-term strategy is to maintain a gearing ratio of between 35% and 40%, however, gearing levels will be managed to ensure the Fund is able take advantage of attractive acquisition opportunities.

The total return in ZAR for the six month period to 30 September 2016 was 11.8% and the total return in ZAR has been 85.2% since listing which supports the case for investing in good quality real estate in a developed market where returns are derived in a hard currency.

Katz is confident of the prospects of the Australian economy saying: “The economy has proven to be resilient with economic growth trending above the long term average. Australia has now celebrated 25 years of positive economic growth and accommodative monetary will continue being supportive of the economy. This bodes well for investors as the Fund provides a currency hedge in an environment of Rand volatility.”

All else equal the Fund’s full year distribution guidance is maintained at 6.0% to 8.0% pre WHT.