MEDIA RELEASE

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Investec Australia Property Fund delivers 29.3% distribution growth in ZAR

Investec Australia Property Fund (IAPF or the Fund) is pleased to announce a full year distribution of 9.17 cents per unit (cpu) pre withholding tax (WHT) and 8.92 cpu post WHT for the year ended 31 March 2016. This represents distribution growth for the period of 12.1% pre WHT and 13.2% post WHT (29.3%* and 30.7%* in ZAR respectively).

Full year highlights:

- Full year distribution of AUD 9.17 cents per unit (cpu) pre WHT – growth of 12.1%
- AUD127 million of quality and earnings enhancing acquisitions concluded
- Portfolio growth of 3.8x since listing with portfolio now valued at AUD494 million
- Growth in net asset value of 5.5% driven by strong revaluation uplift
- Gearing of 29% provides headroom to aggressively pursue acquisitions
- All-in cost of funding reduced to 3.83% whilst doubling the swap expiry
- Long WALE of 6.1 years with 56% of leases expiring after five years
- 100% occupancy supported by high quality tenants
- Total return of 67.8%* in ZAR since listing; 34.9%* in the financial year ended 31 March 2016

Commenting on the Fund's performance IAPF CEO Graeme Katz said: "The Fund continues to produce strong distribution growth underpinned by our strategy of investing in good quality real estate in a developed market where income returns are derived in hard currency. In addition, the persistent Rand depreciation against the Australian dollar enhances the Fund as a Rand hedge for investors. The Fund has delivered a total return of 67.8%* since listing 3 years ago, and was a top performer on a total return basis relative to other inward listed property stocks on the JSE in the last 12 months. IAPF still trades at a discount to its Australian and inward listed peers, providing a compelling entry point into a business that provides above market returns in hard currency."

The Fund currently has a portfolio of 19 quality office and industrial properties. All of the properties are well located and generate stable income for unitholders, evidenced by a long dated WALE of 6.1 years with 56% of leases expiring after five years. The portfolio currently has 100% occupancy, strong tenant covenants and attractive average rental escalations of approximately 3.3% per annum.

With more than 20 years of uninterrupted growth, Australia has remained resilient in the face of a prolonged global commodity downturn. The Fund continues to benefit from its exposure to the local economy, currently characterised by low inflation, historically low interest rates, low unemployment and a highly skilled population. The economy, and specifically real estate, will be further buoyed by the Reserve Bank's easing monetary policy. Through active balance sheet management, the Fund took advantage of movements in the swap curve to lower its all-in cost of funding by 32 bps, whilst doubling its swap maturity profile to 9.2 years.

Activity in the property sector remains strong as Australia continues to be seen as an attractive proposition for both domestic and offshore investors relative to other industrialised countries. The competitive nature of the Australian market is manifested in the tightening yields across all market segments, which increases valuations, particularly for prime-grade assets. Notwithstanding this, the Fund has managed to acquire properties that demonstrate a compelling value proposition.

IAPF completed AUD127 million of property acquisitions during the year which contributed to the increase in the portfolio value to AUD494 million. This represents growth of 3.8x since listing in October 2013. The properties comprise a mix of high quality office and industrial properties which are well located and have strong tenant covenants. The properties were acquired at a blended yield of 8% and contributed to the overall quality of the Fund's portfolio.

Katz added: "The Fund has been able to acquire quality properties at appropriate prices notwithstanding that the market for institutional grade office and industrial property remains extremely competitive. The Fund's ability to transact in a timely manner by utilising undrawn capacity under its debt facilities has given the Fund a competitive advantage, with certainty of completion a key consideration for vendors of assets. In addition, the Fund's ability to access off-market opportunities, or structure acquisitions in an innovative way, has contributed to the Fund's level of acquisition activity during the year."

The Fund recorded strong asset growth primarily as a result of the acquisitions. These acquisitions were largely funded through utilising capacity under the Fund's debt facilities, resulting in gearing stabilising around 30%. The Fund also raised additional equity to assist with the acquisition of the property at 266 King Street, Newcastle NSW. The capital raised has created additional capacity of AUD92 million to pursue acquisition opportunities, which would result in gearing increasing to 40%. Asset growth was also supported by strong revaluation of the base portfolio at year-end.

The positive results reflect the successful execution of the Fund’s strategy to deliver long-term sustainable income and capital growth through the acquisition and efficient management of quality properties and conservative capital and risk management.

The Board expects distribution growth in FY 2017 of between 6% and 8% pre WHT in AUD depending on the level of capital deployment in the coming 12 months. This is attractive to a ZAR investor when taking into account the historical depreciation of the Rand against the Australian dollar of 6% per annum.

* Based on an exchange rate of 11.1255 for the H2 distribution. The H2 distribution amount will be converted from AUD to ZAR at the forward rate to 13 June 2016 to be entered into on Friday, 27 May 2016.