

MEDIA RELEASE

6 May 2020

Investec Australia Property Fund well positioned to manage the challenges in the coming year

Highlights

- Completed listing on the ASX and raised \$161 million¹ in May 2019
- S&P/ASX 300 index inclusion in September 2019
- Oversubscribed institutional placement raised \$84 million in September 2019
- Acquisition of three industrial properties for \$81 million in October 2019
- Sold 757 Ann Street for \$94 million in April 2020, 11% above book value
- 99.0%² portfolio occupancy and weighted average lease expiry (WALE) of 4.5 years³
- Gearing reduced to 22.2%⁴ and funding cost reduced by 70 basis points to 3.05%⁵
- Weighted average debt expiry of 7.4 years and no maturities until FY23⁶
- \$17 million of available cash and \$67 million of undrawn debt⁷
- Annualised funds from operations (FFO) of 9.78 cpu and annualised adjusted funds from operations (AFFO) of 9.17 cpu, both ahead of guidance
- Annualised distribution of 8.88 cpu in line with guidance

Investec Australia Property Fund (IAP or the Fund) has today reported its first full year financial result since its successful listing on the ASX.

IAP reported a final distribution for the 6 months to 31 March 2020 of 4.30 cents per unit (cpu), bringing the full year annualised distribution to 8.88 cpu, in line with guidance given to the market. The Fund delivered annualised FFO of 9.78 cpu and annualised AFFO of 9.17 cpu, both ahead of guidance.

Commenting on the Fund's full year results, IAP CEO Graeme Katz said: *"The Fund has delivered a financial result ahead of expectations. However, as we enter a period of uncertainty associated with the COVID-19 pandemic we have determined to distribute the amount previously advised to the market, which we believe demonstrates prudent cash management."*

During the period the Fund undertook a number of initiatives designed to strengthen its balance sheet. Following the successful capital raising at the time of the ASX listing, the Fund took advantage of conducive market conditions in October last year to raise further capital off the back of asset acquisitions. Shortly after, the Fund agreed to sell 757 Ann Street in Brisbane for \$94 million, an 11% premium to book value. The sale of the property completed post the reporting date on 1 April, with the proceeds being used to reduce debt. In late 2019 the Fund secured \$150 million of 10 year fixed rate debt from a large US financial institution, and post the reporting date in early April this year restructured the debt facilities held with its Australian-based banks.

¹ All figures are in Australian dollars unless otherwise stated.

² By gross property income. Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

³ By gross property income. Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

⁴ Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020. Gearing means interest bearing liabilities (excluding debt establishment costs) less cash divided by the total value of investment properties.

⁵ Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

⁶ Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

⁷ Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

“As a result of the initiatives we undertook during the period, the Fund’s gearing has reduced from 37.4% to 22.2%⁸, the weighted average debt expiry has been extended from 3.6 years to 7.4 years⁹ and our all-in funding cost has reduced to 3.05%¹⁰. We also have \$17 million of cash on the balance sheet and \$67 million¹¹ of undrawn debt. We believe the Fund is well positioned to manage the challenges in the coming year and to take advantage of future acquisition opportunities,” Mr Katz said.

The Fund’s property portfolio has performed well over the past year with occupancy remaining high at 99.0%¹² and a WALE of 4.5 years¹³. Significant leasing activity was also undertaken with 64,335m² of space being contracted, notwithstanding that only 19,082m² of space was either vacant or expiring during the period.

Commenting on the Fund’s portfolio Mr Katz added: *“The portfolio is focused on metropolitan office and industrial properties, which we believe will be relatively resilient given the current market uncertainties. The significant majority of the Fund’s tenants are government, listed or multinationals, with very limited exposure to tenants in the retail and consumer discretionary sectors. There is no doubt that some tenants have been financially impacted by the COVID-19 pandemic. We are assessing requests for rental support on a case by case basis with a view to agreeing commercially sensible outcomes with tenants where possible. It is too early to assess the full impact of this evolving situation on both the tenant base and the Fund, but our intention is to approach discussions with tenants with a view to preserving the long term sustainability of the Fund’s income.”*

The portfolio now comprises 30 properties valued at \$1.09 billion. A rigorous process was undertaken to determine the fair value of the Fund’s properties, involving both external valuations and directors’ valuations and utilising individual risk assessments taking into account the known and anticipated impacts of the COVID-19 pandemic. This has resulted in an underlying net asset value of \$1.32 per unit, up from \$1.30 per unit as at 31 March 2019.

ENDS

About Investec Australia Property Fund

Investec Australia Property Fund is an Australian domiciled fund that is dual listed on the JSE and the ASX. The Fund invests in office, industrial and retail property located in Australia and New Zealand. The Fund is managed by an experienced team of property specialists on the ground in Australia who have an established track record. Investec Australia Property Fund is operated by Investec Property Limited.

For more about IAP please visit:

www.iapf.com.au

⁸ Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

⁹ Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

¹⁰ Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

¹¹ Includes the impact of debt restructuring, which occurred post the reporting date on 3 April 2020.

¹² By gross property income. Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

¹³ By gross property income. Includes the impact of the sale of 757 Ann Street, which settled post the reporting date on 1 April 2020.

Media release issued by:

Brunswick South Africa

Sasha Reddy

Tel: +27 (0) 11 502 7424

E-mail: sreddy@brunswick.co.za

Honner Australia

Danielle Veivers

Tel: + 61 (2) 8248 3742

E-mail: danielle@honner.com.au

Honner Australia

Guy McKanna

Tel: + 61 (2) 8248 3740

E-mail: guy@honner.com.au

For further information, please contact:

Zach McHerron

Fund Manager

Tel: +61 (2) 9293 2464

E-mail: iapinvestorrelations@investec.com.au

Important Information:

Investec Property Limited ABN 93 071 514 246 AFS licence 290909 is the issuer of units in the Fund.

Investments in the Fund are not deposits with, or other liabilities of, Investec Australia Limited or any Investec Group entity and are subject to investment risk, including possible delays in repayment and loss of income and capital invested.

Past performance is not necessarily a guide to future performance. Returns and benefits are dependent on the performance of underlying assets and other variable market factors and are not a guarantee. Exchange rate fluctuations may have an adverse effect on the value of certain investments.

This document is for information only and readers should obtain their own investment, legal and tax advice. Neither Investec Australia Limited nor any member of the Investec Group guarantee any particular rate of return or the performance of the Fund, nor do they guarantee the repayment of capital from the Fund.

The Fund is regulated in Australia and is approved by the FSCA in South Africa as a foreign collective investment scheme. The Fund is listed on the JSE and the ASX.