

Out of the Ordinary™



ASX Listing Proposal

Investor Roadshow

14 – 17 August 2018

Australia Property Fund



Overview of the
ASX Listing
Proposal

Out of the Ordinary™



Investec

Australia Property Fund



The ASX Listing Proposal

Comprises the listing of the Fund on the ASX and the issue of up to 180 million new Units

BACKGROUND TO THE ASX LISTING PROPOSAL

- The Fund previously announced that it was considering pursuing a primary listing on the ASX in addition to its current primary listing on the JSE, subject to favourable market conditions
- The Fund sought feedback from Australian institutional investors in relation to an ASX listing:
 - Recognised the quality of the Fund's property portfolio, asset strategy and management track record
 - Noted the importance of:
 - the level of Unit trading liquidity
 - ensuring that the Fund's management arrangements, corporate governance framework and distribution policy are consistent with Australian standards and market practice for ASX listed Australian REITs

KEY REGULATORY APPROVALS RECEIVED

- ✓ **ASX in-principal advice received**
 - The ASX has provided in-principle advice confirming that, based on information provided to it, it is not aware of any reason that:
 - would cause the Fund not to have a structure and operations suitable for a listed entity for the purposes of the ASX Listing Rules
 - would cause the ASX to refuse the Fund's admission to the official list
- ✓ **JSE approval received**
 - The JSE has approved
 - the proposed amendments to the management agreement
 - the proposed amendments to the constitution
- ✓ **South African Reserve Bank approval received**
 - SARB has approved the issue of up to AUD300 million in new equity capital, including as part of the ASX Listing Proposal

Rationale

The ASX Listing Proposal provides a number of opportunities for the Fund

OPPORTUNITY TO TRADE IN LINE WITH AUSTRALIAN PEERS

Direct price discovery

- Being listed in the jurisdiction where the majority of the assets are located allows investors to make a more direct comparison of the Fund with its ASX listed peers (see Appendices A and B)

More attractive management terms for Unitholders

- Certain terms of the Management Agreement are proposed to be amended to more closely align with other externally managed ASX listed Australian REITs
 - Removal of termination payments
 - Removal of fixed term appointment
 - Tiering of base management fees

EXPECTED INCREASE IN LIQUIDITY

Direct access to both the Australian and South African capital markets

- An ASX listing is expected to provide the Fund with greater financial flexibility to grow and diversify its portfolio (subject to its current borrowing policy which it currently intends will remain unchanged)

Reduced register concentration and increased free float

- Investec Bank Limited and Investec Property Fund will not participate in the Specific Issue of Units for Cash, resulting in a dilution of their combined interests
- Expected to reduce register concentration and facilitate an improvement in liquidity on both the JSE and the ASX
- Increase in free float alongside a potential increase in the market capitalisation is expected to provide index inclusion benefits over time

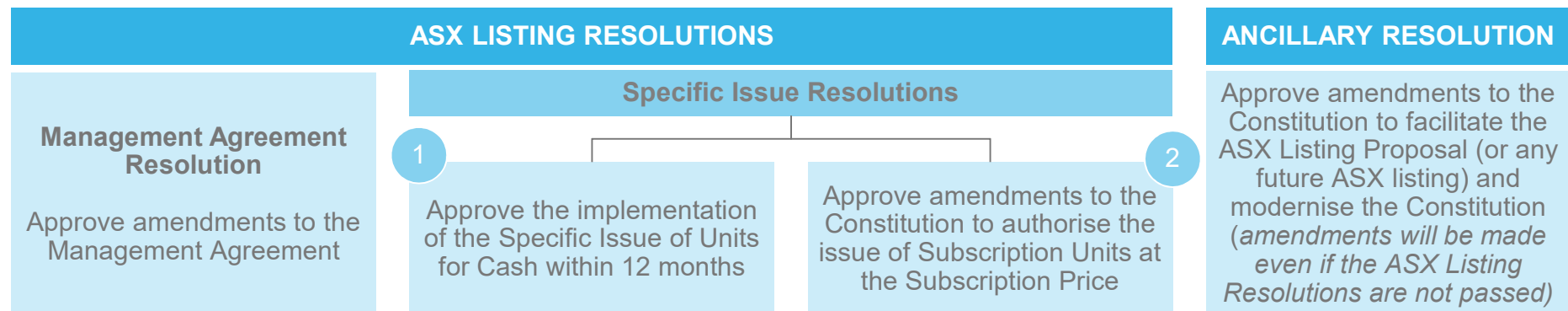
Full fungibility of Units

- Unitholders have flexibility to choose where their units are held and may move back and forth between the Australian Register and the South African Register¹

The Resolutions

The Resolutions are designed to put the Fund in a position to implement the ASX Listing Proposal, subject to favourable market conditions

- The Resolutions comprise:
 - The ASX Listing Resolutions
 - The Ancillary Resolution
- The ASX Listing Resolutions comprise three inter-conditional resolutions (Management Agreement Resolution; Specific Issue Resolution 1; Specific Issue Resolution 2)
- These ASX Listing Resolutions are also conditional on the passing of the Ancillary Resolution
- If any ASX Listing Resolution or the Ancillary Resolution is not passed, the ASX Listing Proposal will not proceed
- Even if the Resolutions are passed, there is no guarantee that the ASX Listing Proposal will proceed, particularly if market conditions are not favourable, or if no suitable acquisitions in line with the Fund's stated investment strategy are identified



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Impacts of the
ASX Listing
Proposal

Amendments to the Management Agreement

The proposed amendments have the primary objective of more closely aligning the Management Agreement with other externally managed ASX listed Australian REITs

RATIONALE

- Amendments are in response to feedback received from Australian institutional investors
- More closely aligns the management arrangements with other externally managed ASX listed REITs (see Appendix C) and will ensure that the Fund is well positioned to secure an appropriate depth of appetite from Australian capital markets
- The Manager has agreed to the amendments to the Management Agreement

KEY AMENDMENTS

Amendments to the Management Agreement will be applicable for so long as the Fund is ASX Listed

Term	<ul style="list-style-type: none">• Manager is not appointed for fixed term• Appointment will terminate automatically if the Responsible Entity ceases to be the responsible entity of the Fund¹
Termination fee	No fee will be payable to the Manager on termination or expiry of the Management Agreement
Base fee	If the Fund achieves an enterprise value of more than AUD 1.5 billion, the base fee payable to the Manager will be stepped down from 60 basis points to 55 basis points on every dollar over AUD 1.5 billion

Amendments to the Constitution

The proposed amendments are intended to facilitate the ASX Listing Proposal and modernise the Constitution

RATIONALE

- Amendments proposed under the Ancillary resolution are intended to:
 - Facilitate the ASX Listing Proposal or any future ASX listing of the Fund
 - Modernise the constitution to ensure compliance with current ASIC Class Order 13/655
- Reliance on ASIC Class Order 13/655 does not relieve the Responsible Entity from its obligations to comply with the JSE Listing Requirements or the ASX Listing Rules
- If the Ancillary Resolution is passed, the proposed amendments will take effect regardless of the ASX Listing Proposal proceeding (unless stated otherwise)
- Amendments to the Constitution proposed under Specific Issue Resolution 2 authorise the Responsible Entity to issue the Subscription Units at the Subscription Price

KEY AMENDMENTS

Placements	Pricing of new issues of units must comply with the terms of ASIC Class Order 13/655, the ASX Listing Rules and the JSE Listing Requirements, as applicable
Rights issues	Removal of certain restrictions and replacement with the requirement to comply with the terms of ASIC Class Order 13/655, the ASX Listing Rules and the JSE Listing Requirements, as applicable
Distribution reinvestment	<ul style="list-style-type: none"> • Revised clauses require compliance with the terms of ASIC Class Order 13/655, the ASX Listing Rules and the JSE Listing Requirements, as applicable • Greater flexibility in capital management by removing 90% limit on discounting distribution reinvestment price • Ability to specify limit up to which Unitholders may choose to reinvest, enhancing capital management of the Fund
Fractions of Units	Fractions of units must round down and the Responsible Entity must account to the Unitholders concerned for the net proceeds of disposal of the fractions
Market price of Units	Amended definition provides for the market price of Units to be determined under a bookbuild process which may be subject to a minimum price determined by the Responsible Entity, in addition to the existing methods

Specific Issue of Units for Cash

The Fund intends to raise new equity capital, predominantly from the Australian capital markets

RATIONALE

- The Fund intends to raise new equity capital under the Specific Issue of Units for Cash in conjunction with the ASX Listing to the extent a suitable acquisition has been identified
- Proceeds may also be used to pay down debt
- Further announcements in this regard, including in relation to the size of the offering under the Specific Issue of Units for Cash will be made at the appropriate time

KEY TERMS OF THE ISSUE

Maximum issue	180 million Subscription Units
Subscription Price	The Subscription Price will be determined under a bookbuild The minimum Subscription Price is the greater of: <ul style="list-style-type: none">• the net asset value of the Fund divided by the number of Units on issue• a 3% discount to the 30 day VWAP per Unit on the JSE immediately before lodgement of the Disclosure Document
Ranking	The Subscription Units will rank equally in every respect with existing Units
Timing	Within 12 months of the Resolutions being passed
Approvals	Subject to the approval and authorisation of Unitholders at the General Meeting
Eligibility & jurisdiction	Qualifying Investors, including high net worth individuals and institutional investors in Australia, South Africa and other selected international jurisdictions
Use of proceeds	For acquisitions in line with the Fund's stated investment strategy or to pay down debt

Changes to the Fund's distribution policy

The Fund intends to make changes to its distribution policy in connection with the ASX Listing Proposal

PROPOSED CHANGES TO THE DISTRIBUTION POLICY

The Fund is considering more closely aligning its distribution policy with those of other ASX listed Australian REITs

- Typically, ASX listed Australian REITs determine distributions in accordance with the Property Council of Australia Guidelines
- Adjustments are often made for certain non-cash and other items, including maintenance capital expenditure, tenant incentives and leasing costs
- Other ASX listed Australian REITs also typically report their distribution payout ratio by reference to AFFO and/or FFO
- In line with market practice of ASX listed Australian REITs, the Fund intends to determine its distribution and report its payout ratio by reference to AFFO and/or FFO
- No change to the manner in which distributions are paid
 - Distributions will continue to be paid on a half-yearly basis
 - There will be no change to the manner in which distributions are paid to South African Unitholders holding Units quoted on JSE
 - Units quoted on ASX will receive their distributions in AUD

INDICATIVE IMPACT ON DISTRIBUTIONS

Applying the reporting methodology of ASX listed Australian REITs to the Fund's aggregate distributions for FY18

Actual distributions	10.0354 Australian cents per Unit
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% of AFFO	105%
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Indicative distributions with 100% AFFO payout	9.55494 Australian cents per Unit
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- The proposed distribution payout ratio and underlying guidance will be announced on a periodic basis, including under the Disclosure Document issued in connection with the Specific Issue of Units for Cash

Other impacts

The ASX Listing Proposal will have other impacts on the Fund

KEY IMPACTS IF THE ASX LISTING PROPOSAL PROCEEDS

Listing exchanges	<ul style="list-style-type: none">• The Fund will have two primary listings, on both the JSE and ASX• A dual listing provides the Fund with direct access to both Australian and South African equity capital markets, which will provide the Fund with greater financial flexibility to grow and diversify its portfolio• The Fund would delist from the Bermuda Stock Exchange
Inward listed status	<ul style="list-style-type: none">• There will be no change to the inward listed status of the Fund
Tax position	<ul style="list-style-type: none">• There will be no change to the current tax treatment of distributions to foreign Unitholders• The Fund is an Attribution MIT for Australian tax purposes, and as such the Responsible Entity is required to withhold tax in Australia at:<ul style="list-style-type: none">– a concessional rate of 15% on distributions to Unitholders in South Africa– 10% on distributions of interest income to Unitholders in South Africa• New Zealand sourced income is subject to the corporate tax rate in New Zealand of 28%, and is not subject to Australian withholding tax
Borrowing policy	<ul style="list-style-type: none">• There will be no change to the Fund's borrowing policy• The Fund's gearing ratio as at the Last Practicable Date is 37.2% – if the Specific Issue of Units for Cash is implemented, some of the proceeds may be used for the purposes of paying down debt
Board composition	<ul style="list-style-type: none">• The Responsible Entity intends to appoint an additional independent non-executive director to the Board

Voting on the Resolutions

In order for the ASX Listing Proposal to proceed, all four Resolutions must be passed

VOTING ON THE RESOLUTIONS

- In order for the ASX Listing Proposal to proceed, all four Resolutions must be passed. Failure to pass any one of the Resolutions will mean that the ASX Listing Proposal will not proceed

VOTING THRESHOLDS FOR RESOLUTIONS TO BE PASSED

Resolution	Threshold	Voting Restrictions
Management Agreement Resolution	>50%	<ul style="list-style-type: none">• Investec Group Entities and other Associates of the Responsible Entity unable to vote
Specific Issue Resolutions	≥75%	<ul style="list-style-type: none">• Units associated with IWI and IAM in client's name or third party on behalf of client may vote provided no Investec Group Entity recommends how to vote or acts in concert with the client
Ancillary Resolution	≥75%	<ul style="list-style-type: none">• The chair of the General Meeting will determine voting eligibility

- If the Resolutions are not passed, there will be no ASX Listing under the ASX Listing Proposal and the proposed amendments to the Management Agreement and the Specific Issue of Units for Cash will not be pursued

The Directors of the Independent Board Committee unanimously recommend that Unitholders vote in favour of the Resolutions

Note: Unitholders are referred to page 3 of the Circular for information on the action required to be taken by them. The Independent Expert has concluded that the terms and conditions of the proposed amendments to the Management Agreement and the Specific Issue of Units for Cash are fair to Unitholders (excluding the related parties) and reasonable in the circumstances as if the Responsible Entity and the related parties were dealing at arm's length. A copy of the Independent Expert's Fairness Opinion is included in Annexure 2 of the Circular.

Key dates

Unitholders will vote on the Resolutions at a General Meeting on 5 September 2018

KEY DATES

Record date to receive the Circular and Notice of General Meeting	Friday, 27 July
Circular and Notice of General Meeting posted to Unitholders and announced on SENS	Monday, 6 August
Last day to trade in order to participate in and vote at the General Meeting	Tuesday, 21 August
Record date to participate in and vote at the General Meeting	09:30 on Friday, 24 August
Last day to lodge forms of proxy for the General Meeting	09:30 on Monday, 3 September
Holding of General Meeting	09:30 on Wednesday, 5 September
Results of the General Meeting released on SENS	Wednesday, 5 September
Results of the General Meeting published in the press	Thursday, 6 September

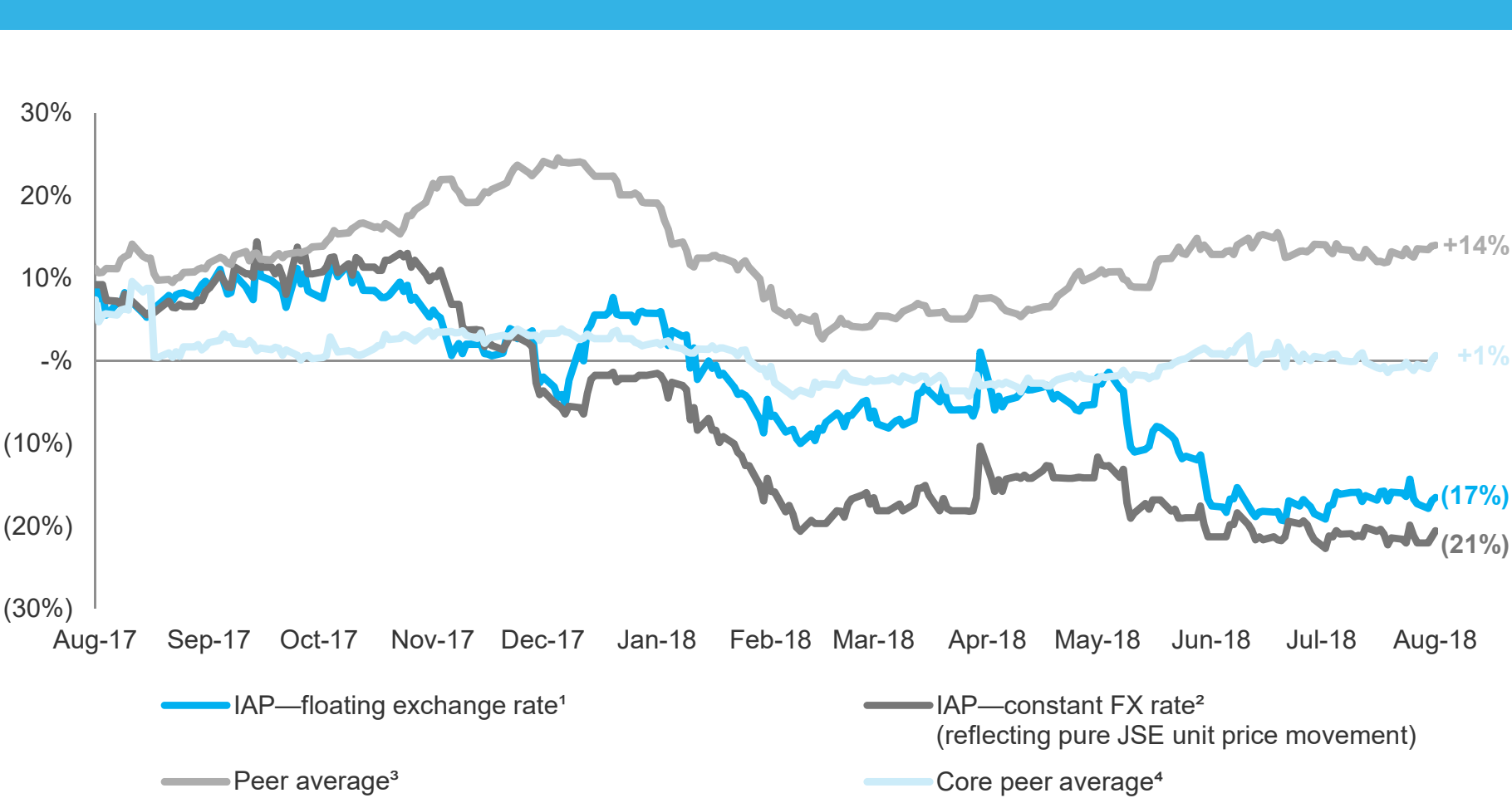
Appendix A

Unit price performance



Unit price performance relative to NTA

The premium/discount to NTA of the Fund relative to its Australian peers over 12 months



Source: Factset as at 8 August 2018, company disclosures. Notes: 1. ZAR price of IAP converted to AUD using daily exchange rate. 2. ZAR price of IAP, converted at constant AUD/ZAR FX-rate of 10.7. 3. Premiums to NTA of CIP, CMA, PLG, IDR, AOF, GOZ, ABP; weighted by market capitalisation. 4. Premiums to NTA of IDR, CMA, AOF; weighted by market capitalisation.

Appendix B

Distribution and NTA

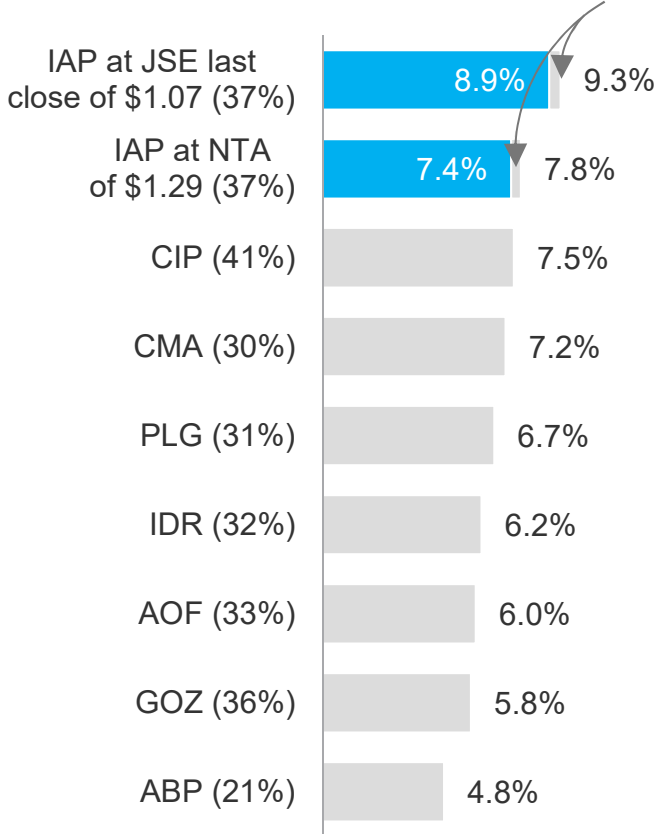


Distribution and NTA

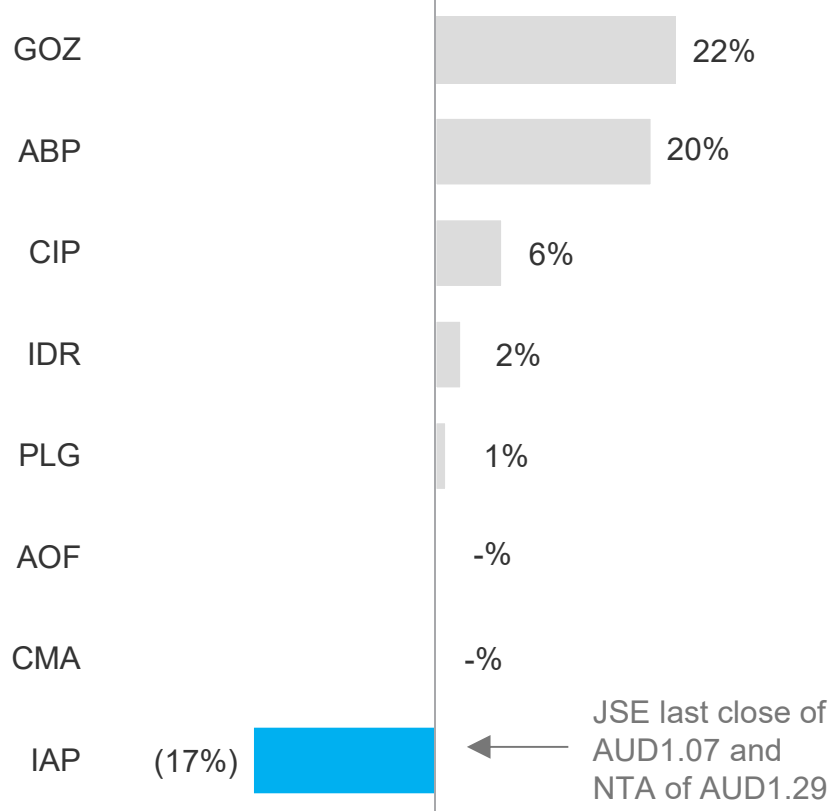
The Fund's FY18 distribution yield and premium/discount to NTA relative to its Australian peers

FY18 DISTRIBUTION YIELD¹

Impact of reducing the payout ratio to 100% of AFFO



PREMIUM/DISCOUNT TO LAST REPORTED NTA



Sources: IRESS, Factset as at 8 August 2018, company disclosures
 Notes: 1. All yields shown on a March year end basis, last reported gearing shown in brackets.

Appendix C

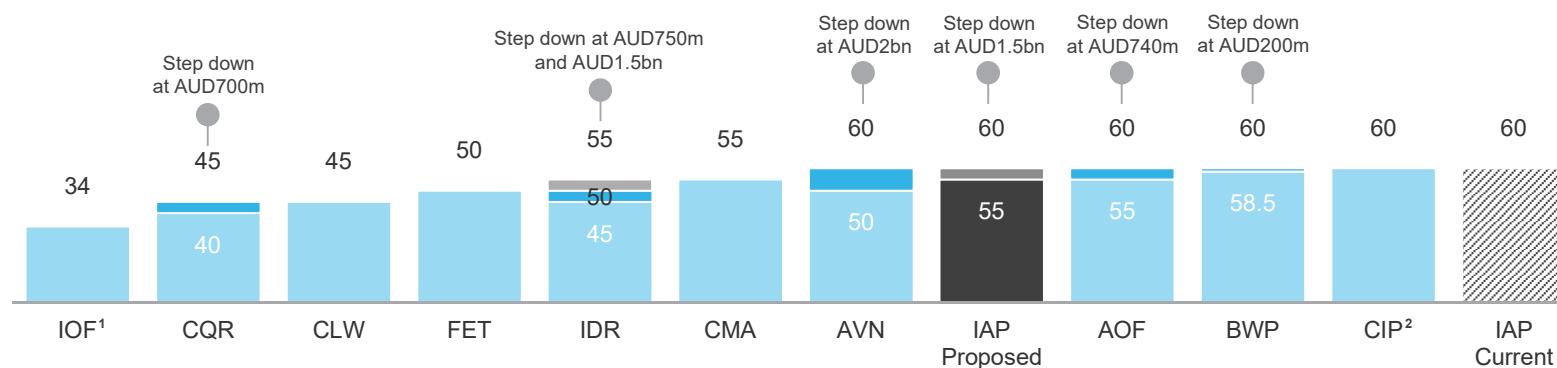
Management arrangements



Management arrangements

All Australian peers allow for a standard removal of the responsible entity, with few having entrenched the manager

Management fee (bps), calculated as a % of GAV/EV



	IOF ¹	CQR	CLW	FET	IDR	CMA	AVN	IAP Proposed	AOF	BWP	CIP ²	IAP Current
Performance fee	x	✓	x	x	x	x	✓	x	x	x	x	x
Standard removal of RE (immediate termination)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Initial term of management agreement	Indefinite	Indefinite	10 years	Indefinite	10 years	Indefinite	10 years	Indefinite	10 years	Indefinite	Indefinite	10 years
Notice period for removal of manager	1 month	N/A	N/A ³	N/A	12 months ⁴	1 month	12 months ⁶	N/A	N/A ⁷	N/A	N/A	6 months ⁸
Manager termination fee	N/A	N/A	N/A	N/A	Yes ⁵	N/A	Yes ⁵	N/A	N/A	N/A	N/A	Yes ⁹

Source: company disclosures. Notes: 1. Calculated as 55bps of market cap. 2. CIP's constitution allows it to charge 65bps but after investor feedback it elects to only charge 60bps. 3. Upon change of control of RE, otherwise 12 months after the initial term. 4. Upon change of control of RE, otherwise 24 months after the initial term. 5. 12 months base management fee upon change of control of RE, in lieu of notice period. 6. 12 months upon change of control of RE, otherwise can only be terminated six months prior to end of respective term (automatic extension of five years). 7. Two years notice period if within initial term, immediate termination upon change of control of RE. 8. 10 business days upon removal of RE. 9. Calculated by applying a multiple to the base management fee as per the Management Agreement.

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