

Out of the Ordinary®



annual results

financial year 2016

Investec Australia Property Fund



Out of the Ordinary®



Australia Property Fund

summary



Highlights

Strong financial results; outperformed guidance

Financial Performance

29.3%
Pre WHT distribution
growth in ZAR*

34.9%*

Total return in
ZAR in FY16

67.8%*

Total return in ZAR
since listing

12.1%
GROWTH

Full year distribution
pre WHT in AUD

9.2 years

WEIGHTED SWAP EXPIRY
86% hedged

Key metrics

Gearing

2016	2015
28.8%	23.2%

AUD 92mn of acquisition
firepower

All in cost of funds

2016	2015
3.83%	4.15%

Historically low funding rates

5.5% 

NAV PER UNIT GROWTH
Driven by strong revaluation uplift

* Based on a spot 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

Highlights

Focus on underlying property fundamentals

Key metrics

2016	2015
19	16

Number of properties

2016	2015
1.6%	1.5%

Cost to income ratio

**AUD
127.1mn***

Quality enhancing
acquisitions

* Including transaction costs

Property Performance

100% 
Occupancy

**AUD
494mn**
Portfolio growth of
3.8x since listing

169 535m² GLA

56% Leases
expiring after
5 years

3.3%

INFORCE ESCALATIONS
ACROSS THE PORTFOLIO

6.1 years

WEIGHTED AVERAGE
LEASE EXPIRY

Highlights

Compelling investment opportunity

Outperformed
SAPY and
Australian REIT
index over past
12 months

Attractively priced
relative to
Australian and
inward listed
peers

Portfolio of quality assets
with strong underlying
property fundamentals

Rand hedge with income
returns in hard currency

Management
team that has
consistently
delivered on
strategy

Historically low
interest rates
locked in

Fund snapshot

AT 10 May 2016

Market Capitalisation	R4.25bn / AUD 383mn
Unit price	R13.60
NAV per unit	R12.43
Premium to NAV	9%

PROPERTY PORTFOLIO

No. of properties	19
GLA	169 535m ²
Vacancy	0%
WALE (years)	6.1
In-force escalation	3.3%
Asset value	AUD 494mn

OFFICE

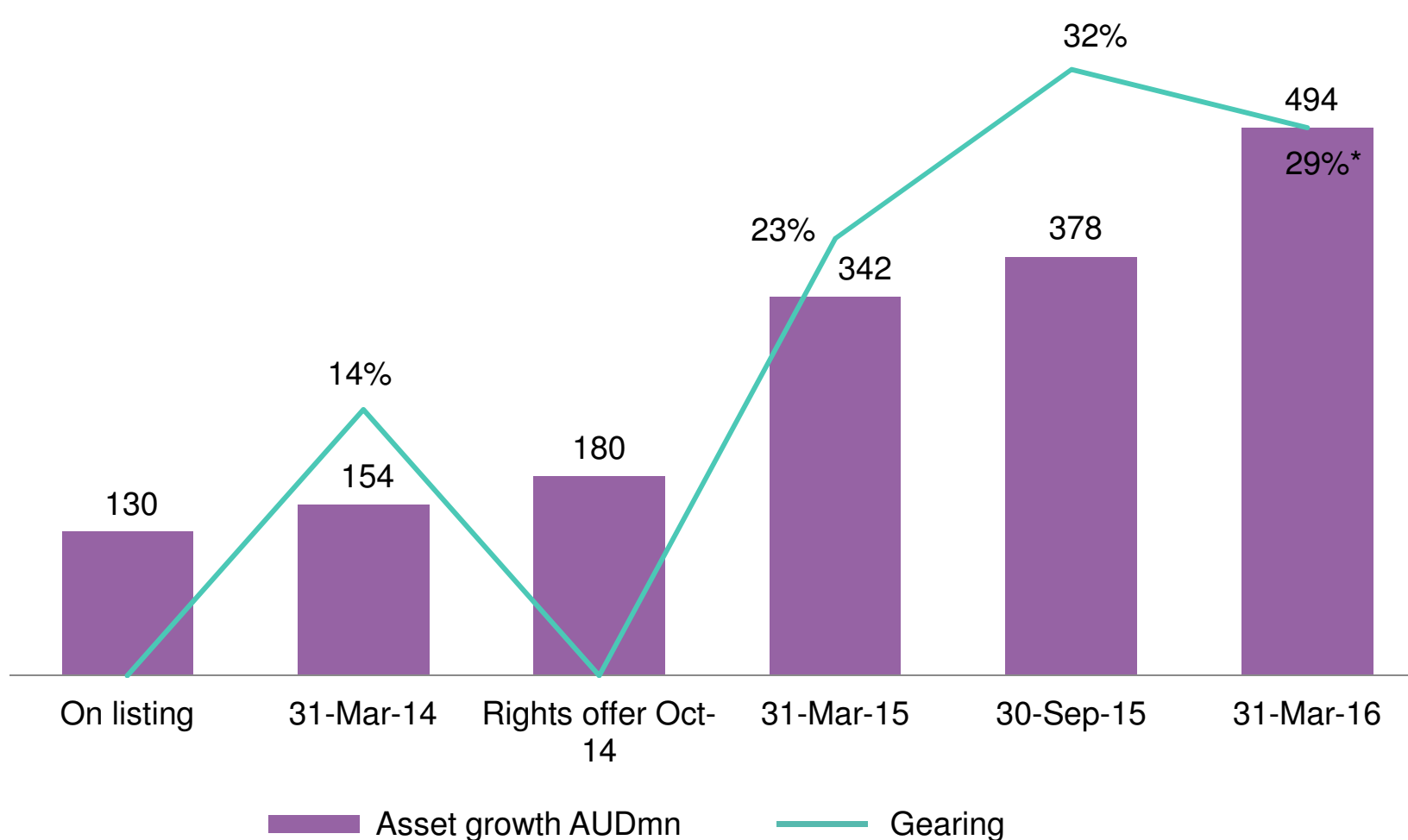
No. of properties	7
GLA	61 253 m ²
Vacancy	0%
WALE (years)	6.8
In-force escalation	3.5%
Asset value	AUD 336mn

INDUSTRIAL

No. of properties	12
GLA	108 282m ²
Vacancy	0%
WALE (years)	5.8
In-force escalation	3.2%
Asset value	AUD 158mn

Asset and gearing growth

Strongly acquisitive in a competitive market



* Average gearing of 31.9% in FY16 and 17.4% in FY15

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Australia Property Fund

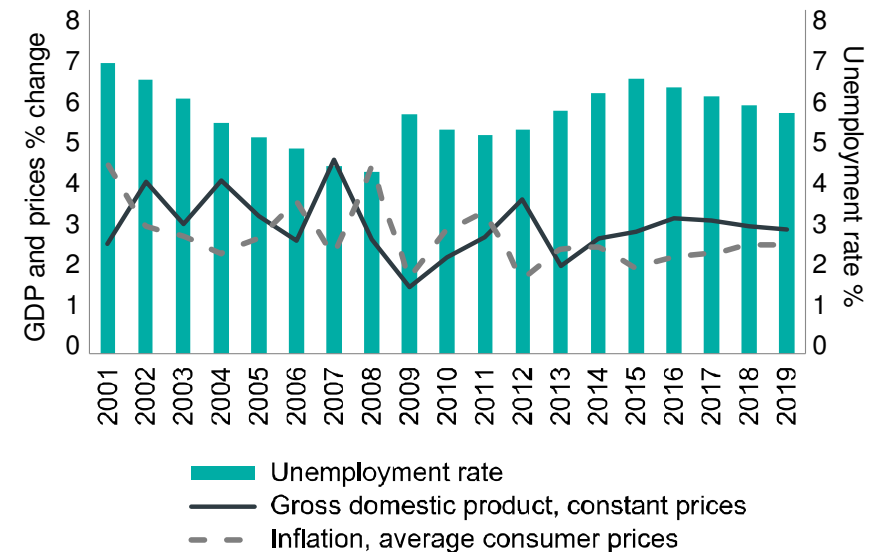
market review



Australian macro landscape

- Resources sector boom has now shifted to production mode, with volume effect taking over and net exports a strong contributor to economic growth
- RBA cut interest rates to a new low of 1.75% on 3 May 2016; influenced by core inflation rate of 1.5% - lowest reading on record
- Interest rates forecast to be accommodating, helping stimulate investment activity and reducing unemployment

A sound macro economy



Source: Federal Budget paper and IMF publications

Real GDP growth — continuing trend growth

	2015	2016	2017	2018	2019
GDP (Real)	2.5%	2.5%	3.0%	3.0%	2.9%

Source: IMF

Consumer price index — within band

	2015	2016	2017	2018	2019
CPI	1.5%	2.1%	2.4%	2.5%	2.5%

Source: IMF

Australian direct property investment landscape



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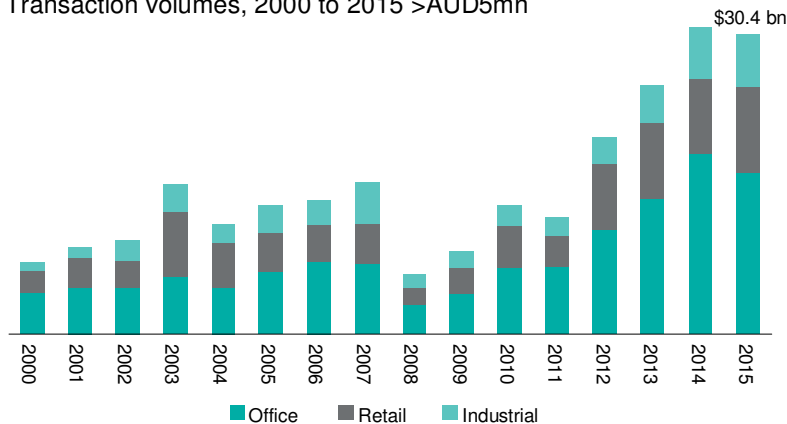
Industrial	
Sydney, Melbourne and Brisbane	<ul style="list-style-type: none"> • Strong local and foreign investor demand driving down cap rates to historical lows • Low interest rate environment resulting in growing supply driving lower effective rents • Growing trend towards supply chain outsourcing and e-commerce maintaining tenant demand
Canberra	<ul style="list-style-type: none"> • Stable market with limited transactions
Adelaide	<ul style="list-style-type: none"> • Rent and yield pressure due to change in tenancy mix in the year • Low borrowing costs have maintained demand for high yield properties
Perth	<ul style="list-style-type: none"> • Continued investor demand despite resource sector softness driving rents lower • Investors demand concentrated in traditional areas
Office	
Sydney and Melbourne	<ul style="list-style-type: none"> • Strong investor demand driving down cap rates • Market rents have increased as a result of residential conversion depleting supply and increasing demand as tenants look to fringe locations for more cost effective rents
Brisbane	<ul style="list-style-type: none"> • Investor demand remains strong despite the resource sector downturn • Significant development completion has increased supply resulting in market rents remaining stable

Australian direct property activity

Global return requirements are influencing domestic pricing

Commercial sector — 2015 just below 2014 record

Transaction volumes, 2000 to 2015 >AUD5mn

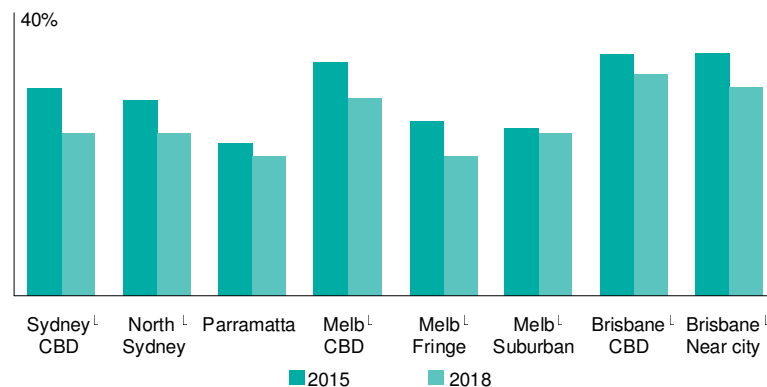


Strongest performance in New South Wales and Victoria

Drivers include low interest rates and foreign capital

Incentives will trend down over the medium term

CBD office markets leasing incentives, 2015 to 2018



AUD 30.4bn commercial transactions last year – offshore accounted for 43%

Relative unit price performance since listing

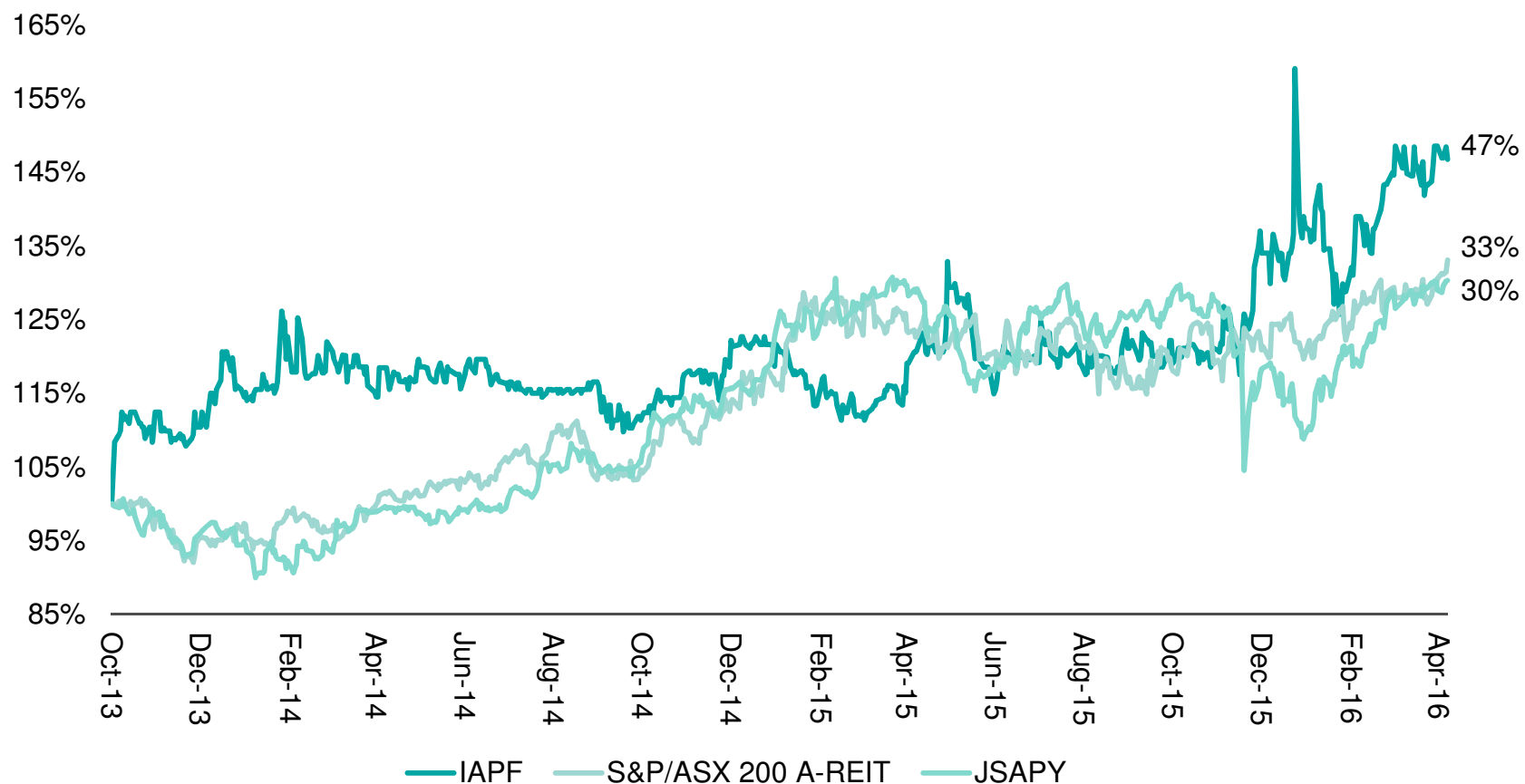


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IAPF vs. Australia REIT index and JSAPY

47% capital return since listing, outperforming returns of the South African and Australia listed property sectors



Performance since listing (68% total return)

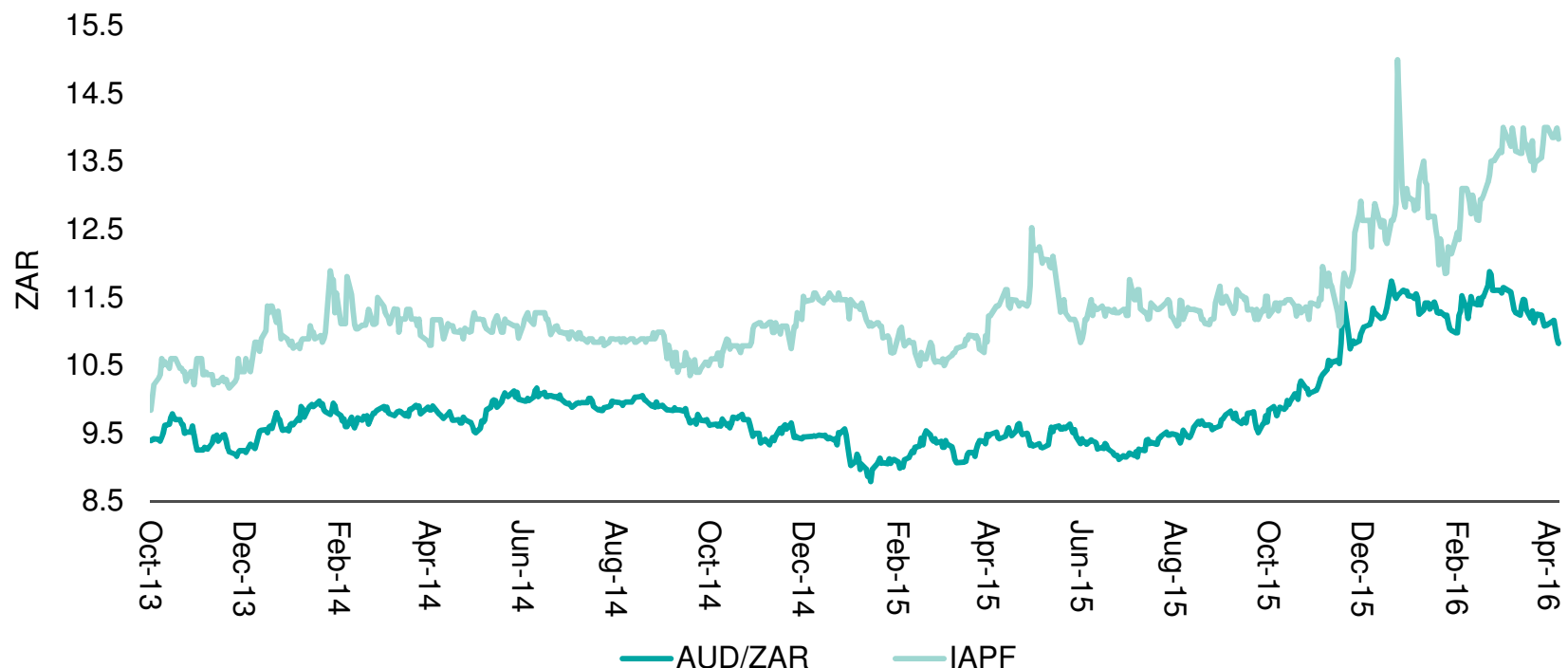


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IAPF vs. ZAR/AUD exchange rate

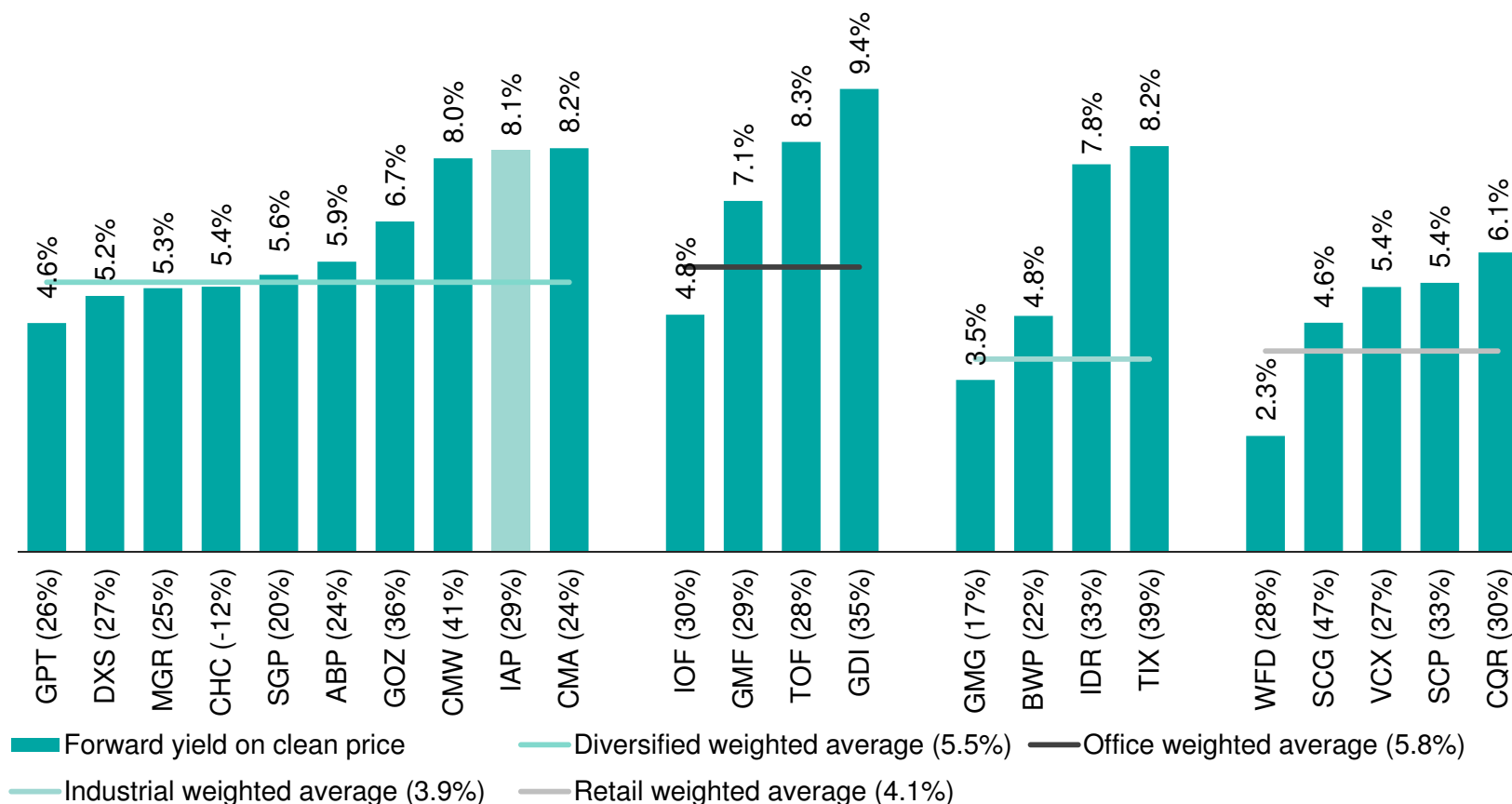
- Delivered a 46.6% capital return in ZAR (24.1% return in AUD and 22.5% currency return); and
- Paid out distributions of 200.17* ZAR cents (post-WHT) to March 2016, equating to an income return of 21.2%*



* Based on a spot 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

Australian property sector yields

Attractively priced relative to Australian peer group



Source: Bloomberg as at 2016/05/18, Investec calculations

Note: Yields are based on rolling 12 month distributions on clean prices; IAPF forward yields are pre withholding tax

Numbers in brackets represent fund gearing

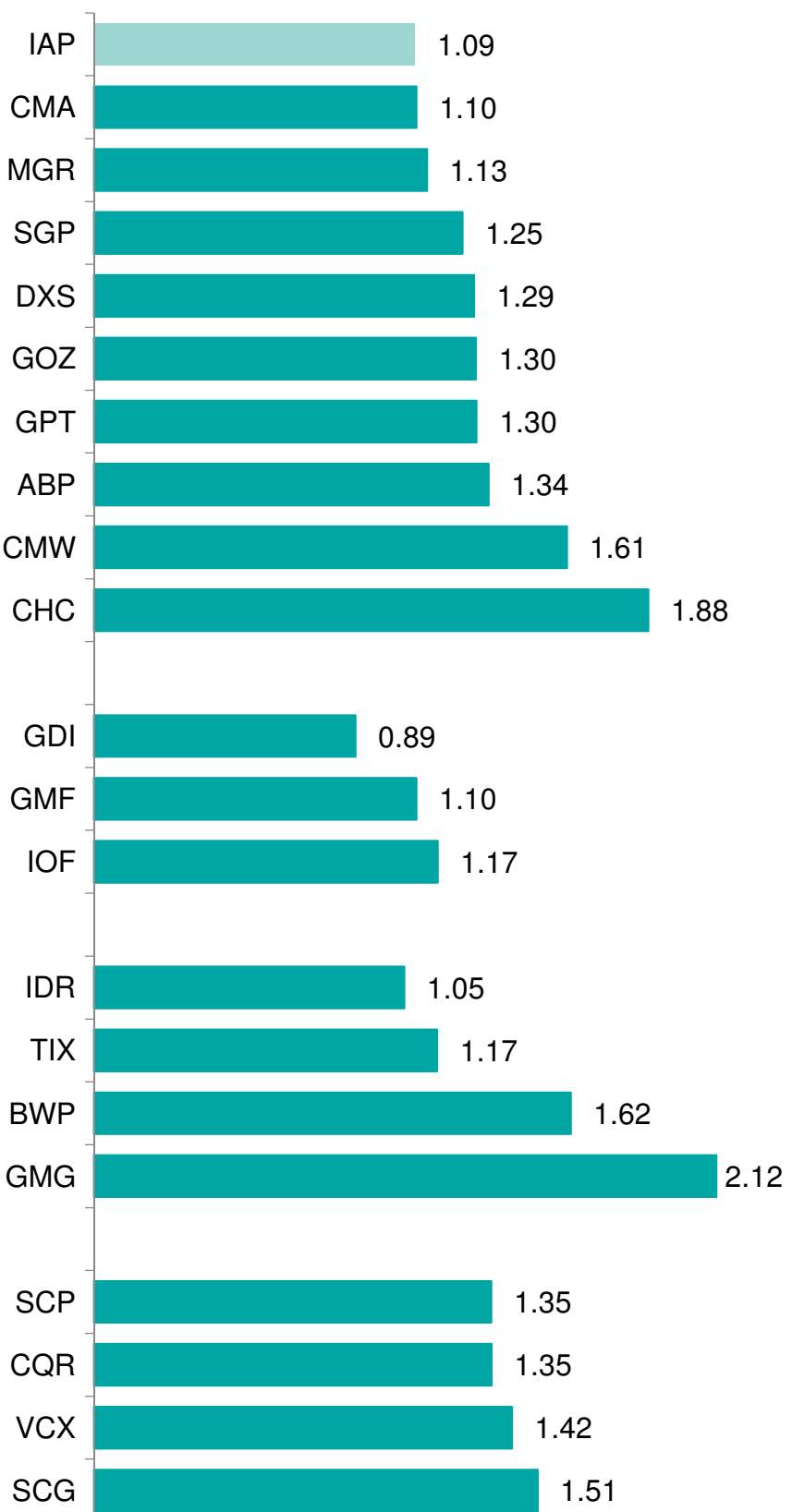
Australian property sector premiums to NAV



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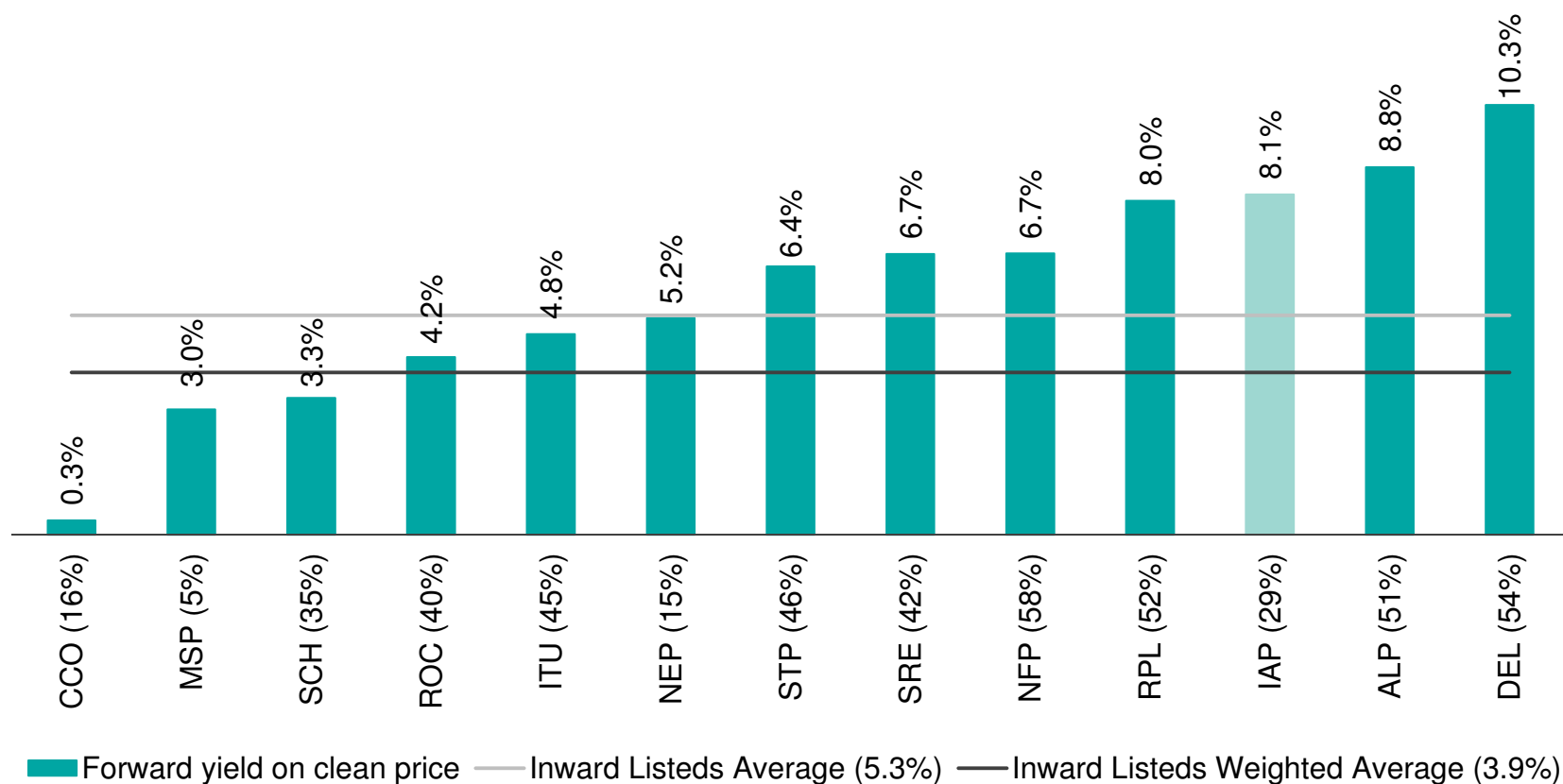
IAPF undervalued relative to Australian peer group



Source: Bloomberg as at 2016/05/18, Investec calculations

SA inward listed property sector yields

Attractively priced relative to inward listed peer group



Source: INet Bridge as at 2016/05/18 Investec calculations

Note: Yields are based on clean prices; where Bloomberg forecasts are not available, EPS forecasts are based on assumed growth rates applied to historical core or headline EPS; IAPF forward yields are pre withholding tax
Numbers in brackets represent fund gearing

Out of the Ordinary®



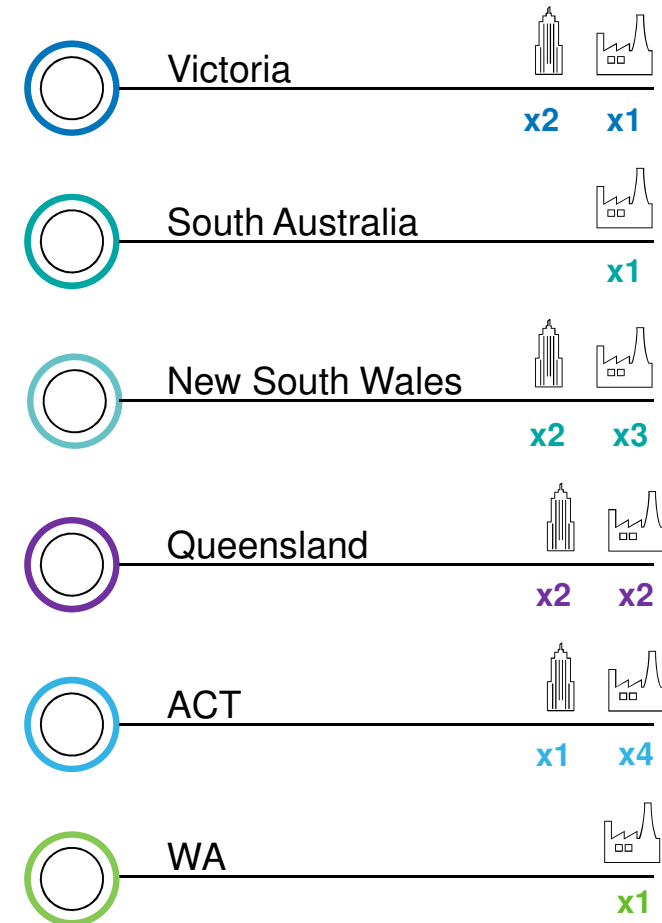
Australia Property Fund

property information



Landscape

Diversified portfolio of quality assets with strong underlying property fundamentals



Completed acquisitions

Rare opportunity to acquire an asset in one of Sydney's most established industrial precincts



Major tenant | McAlpine Hussman

**66 Glendenning Road
Glendenning NSW**

WALE

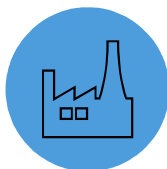
Purchase price

Purchase yield

4.5 years

AUD 19 170 000

7.66%



Completed acquisitions

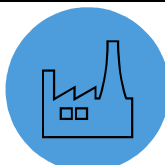
Quality industrial facility in Brisbane's premier industrial precinct



Major tenant | Coil Steels

**85 Radius Drive
Larapinta QLD**

WALE	Purchase price	Purchase yield
6.2 years	AUD 18 500 000	7.82%



Completed acquisitions

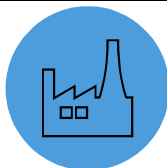
Long term lease to ASX listed tenant



Major tenant | CTI Logistics

**54 Miguel Road
Bibra Lake WA**

WALE	Purchase price	Purchase yield
12.0 years	AUD 26 000 000	7.94%



Completed acquisitions

A-grade office building with blue chip tenants



Major tenants | Australian Taxation Office; CBA; Employers Mutual

**266 King Street
Newcastle NSW**

WALE	Purchase price	Purchase yield
7.0 years	AUD 56 734 867	8.0%



Valuations

Well executed buying strategy, strong underlying performance and positive leasing activity

Key contributors to valuation uplift include:

- AUD 7.5mn increase at 757 Ann Street, Fortitude Valley QLD
- AUD 7.7mn increase at 449 Punt Road, Cremorne VIC
- AUD 11mn increase at 35-49 Elizabeth Street, Richmond VIC

Property portfolio value	Industrial AUD mn	Office AUD mn	Total AUD mn
31 March 2015	96	246	342
Add: acquisitions and disposals	59	58	117
Add: valuation increase	3	32	35
31 March 2016	158	336	494

13.2%
valuation uplift in
externally valued
properties

10.1%
valuation uplift in
base portfolio

7.7%
valuation uplift
across whole
portfolio

Leasing activity

Adding value through active management



Major tenant | Clarendon Homes

**21–23 Solent Circuit
Sydney NSW**

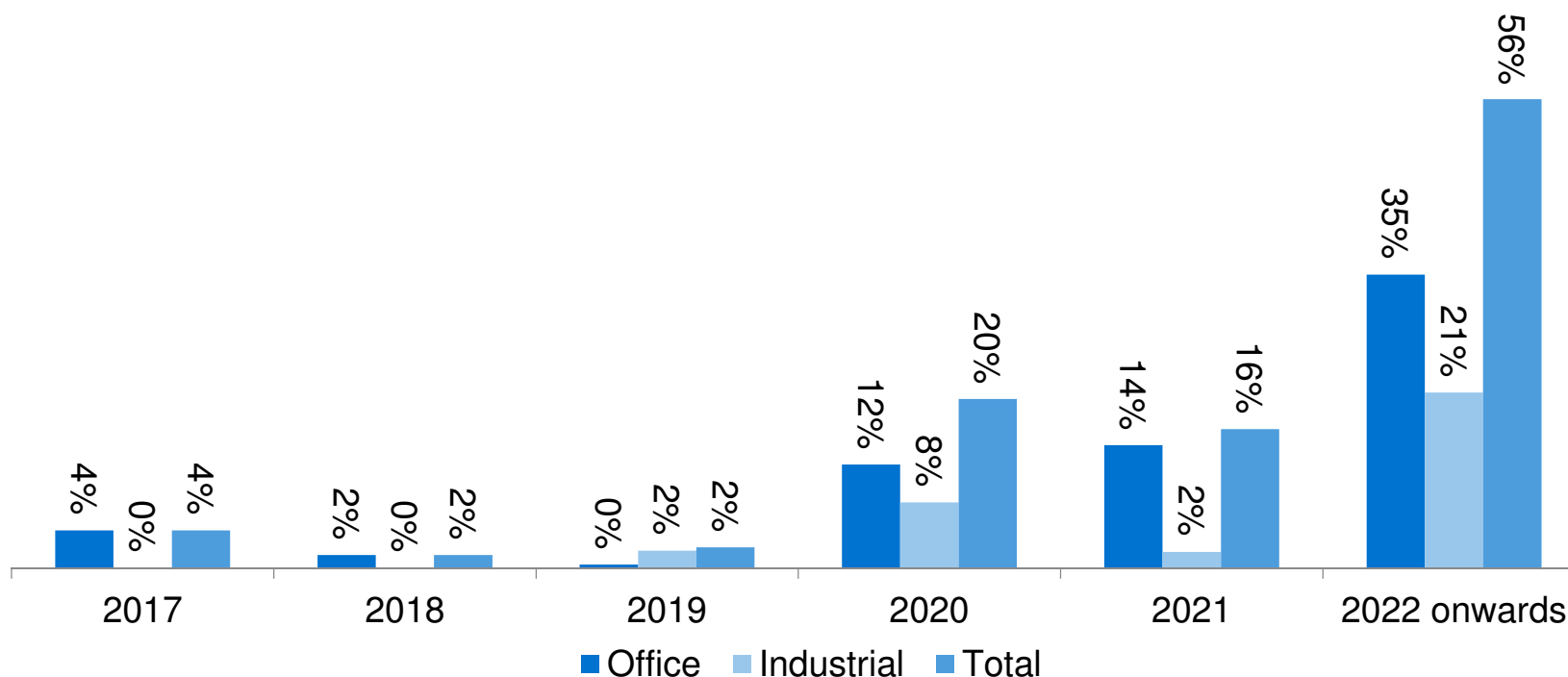
	31 March 2015	31 March 2016	
Occupancy	85%	100%	↑
NLA leased (m ²)	9 199	10 836	↑
Yield*	7.7%	9.5%	↑
Valuation (AUD)	39 000 000	43 000 000	↑

* Annualised passing yield on acquisition price



Lease expiry profile (by revenue)

Limited short term exposure and 56% of leases expiring after five years; 100% occupied



GLA (m ²)		WALE (years)		Escalations	
2016	2015	2016	2015	2016	2015
169 535	108 657	6.1	6.4	3.3%	3.4%

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Australia Property Fund

financial review



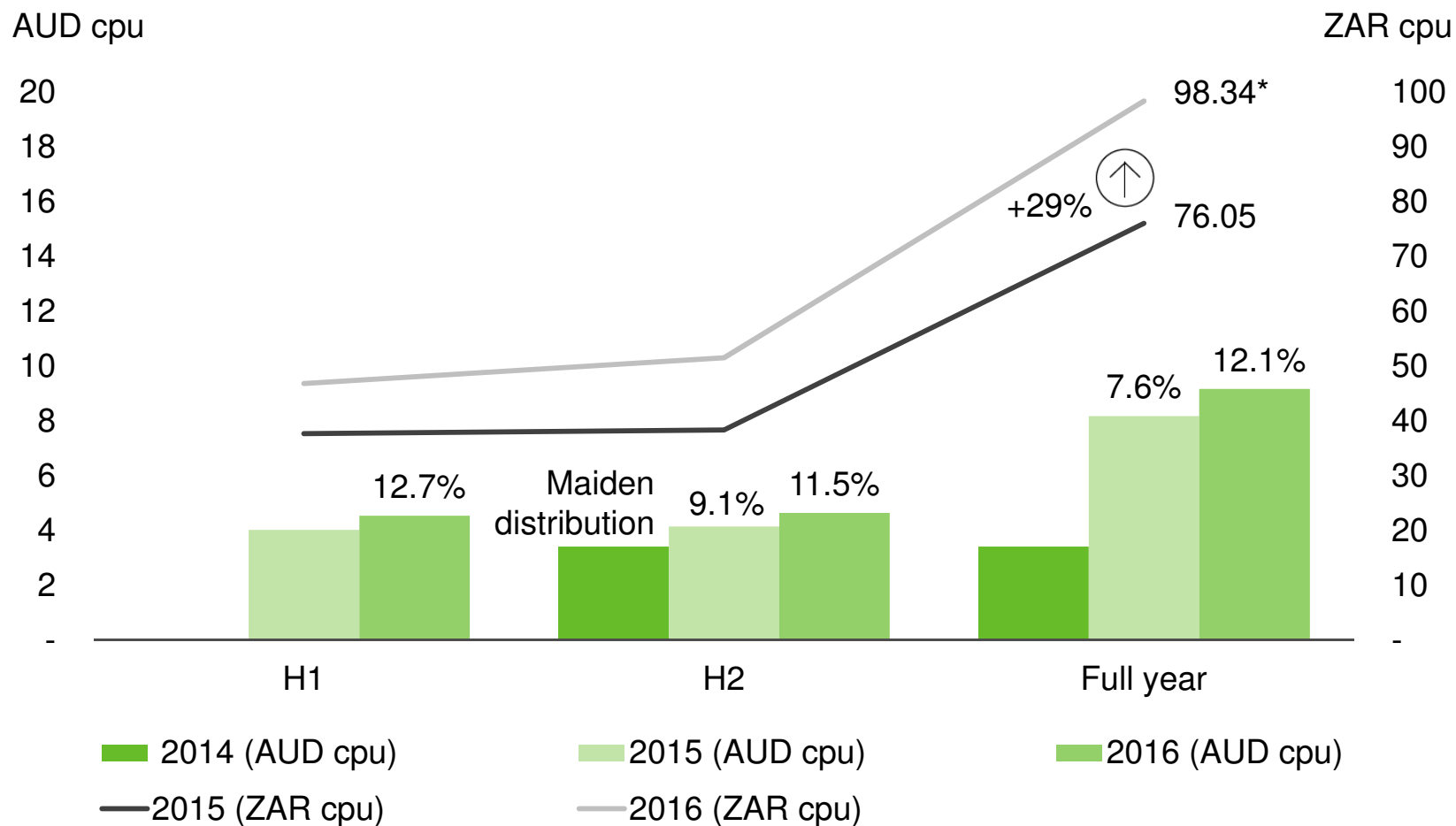
Income statement

Strong financial result is the outcome of the successful implementation of Fund's strategy

	31-Mar-16	31-Mar-15	+/-
	AUDmn	AUDmn	
Revenue	37.66	22.18	69.8%
Straight line rental adjustment	1.63	2.04	(20.1%)
Revenue	39.29	24.22	62.2%
Property expenses	(5.18)	(2.87)	80.3%
Net property income	34.11	21.35	59.8%
Operating expenses	(4.28)	(2.45)	74.7%
Net finance costs	(6.84)	(4.61)	48.3%
Net fair value adjustments	20.49	2.05	899.4%
Profit	43.48	16.34	166.1%
Basic and diluted earnings per unit (cents)	17.09	8.84	93.3%

Historical distribution growth

Strong distribution growth year on year; FY16 growth in ZAR of 29.3%*



* Based on a spot 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

Distribution reconciliation

	31-Mar-16	31-Mar-15	+/-
	AUDmn	AUDmn	%
Profit	43.48	16.34	
Less: straight line rental adjustment	(1.63)	(2.04)	
Less: Net fair value adjustments	(18.51)	0.87	
Antecedent interest	2.32	4.99	
Less: interim distribution paid	(11.19)	(9.93)	
Total final distribution	14.47	10.23	
Number of units	312.54	246.58	
	cpu	cpu	
Final distribution per unit pre WHT	4.63	4.15	11.5%
Interim distribution per unit pre WHT	4.54	4.03	12.7%
Total distribution per unit pre WHT	9.17	8.18	12.1%
Final distribution per unit post WHT	4.65	3.96	17.4%
Interim distribution per unit post WHT	4.27	3.92	8.9%
Total distribution per unit post WHT	8.92*	7.88	13.2%

* The effective rate of tax on the distribution has been impacted by the antecedent distribution (which is not subject to withholding tax) and break costs related to locking in lower, longer dated interest rates on the Fund debt. The normalised distribution per unit post withholding tax for the year excluding these one off deductions would have been approximately 8.62 cents per unit.

Balance sheet metrics

Strong asset growth in a competitive market

	31-Mar-16	31-Mar-15	+/-
	AUDmn	AUDmn	
Assets			
Investment property	493.85	342.13	44.3%
Trade and other receivables	1.96	1.25	56.4%
Cash and cash equivalents	1.11	2.36	(53.1%)
Total assets	496.92	345.74	43.7%
Unitholders' interest			
Contributed equity	310.14	246.5	25.8%
Retained earnings	22.35	2.21	911.4%
Liabilities			
Long term borrowings	141.67	78.75	79.9%
Derivative financial instruments	0.95	2.9	(67.2%)
Trade and other payables	7.34	5.16	42.2%
Distributions payable	14.47	10.23	41.4%
Total equity and liabilities	496.92	345.74	43.7%
Net asset value per unit (cents)	106.38	100.86	5.5%

Gearing

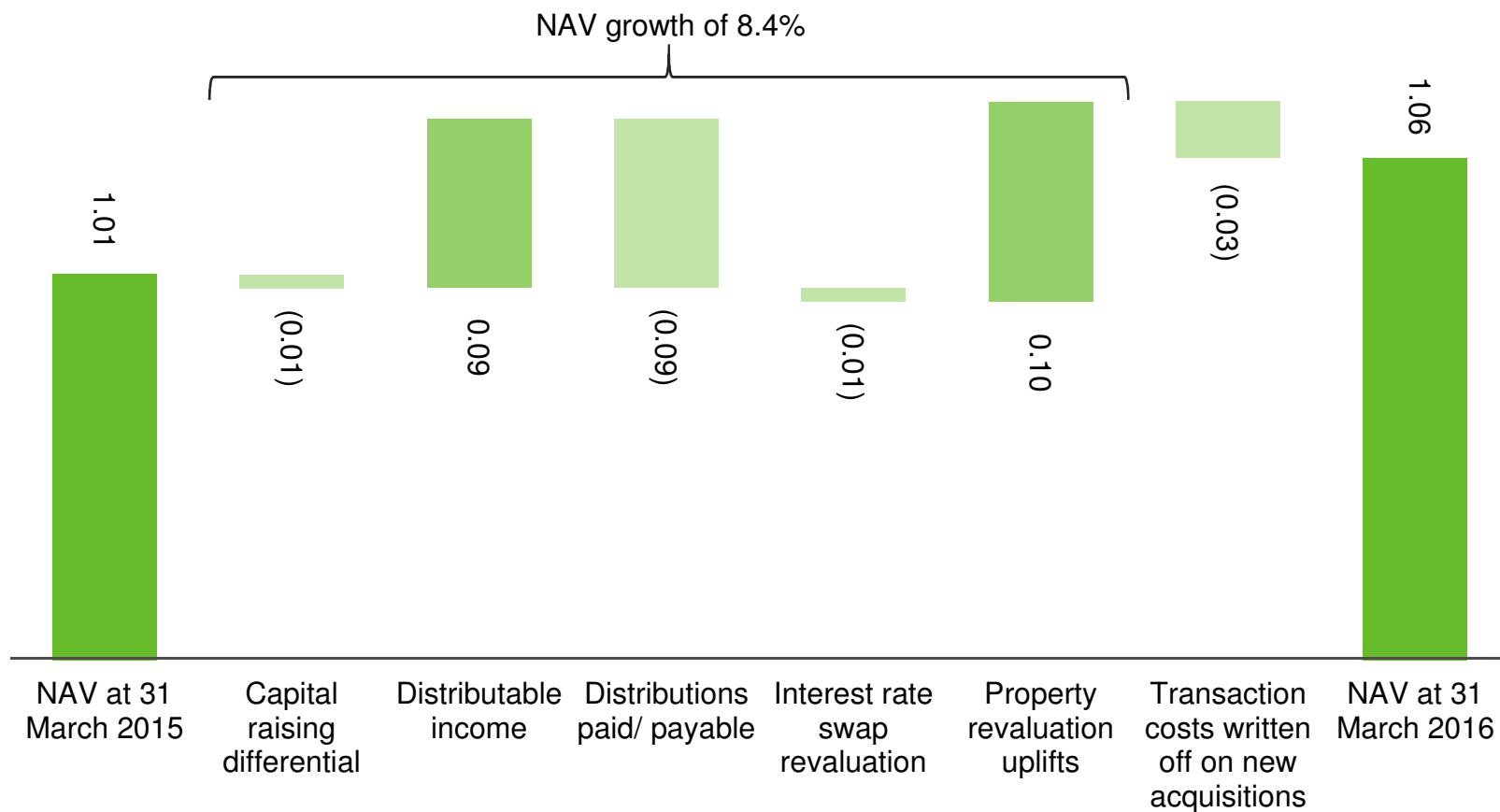
2016	2015
28.8%	23.2%

Hedged percentage

2016	2015
86%	100%

NAV bridge

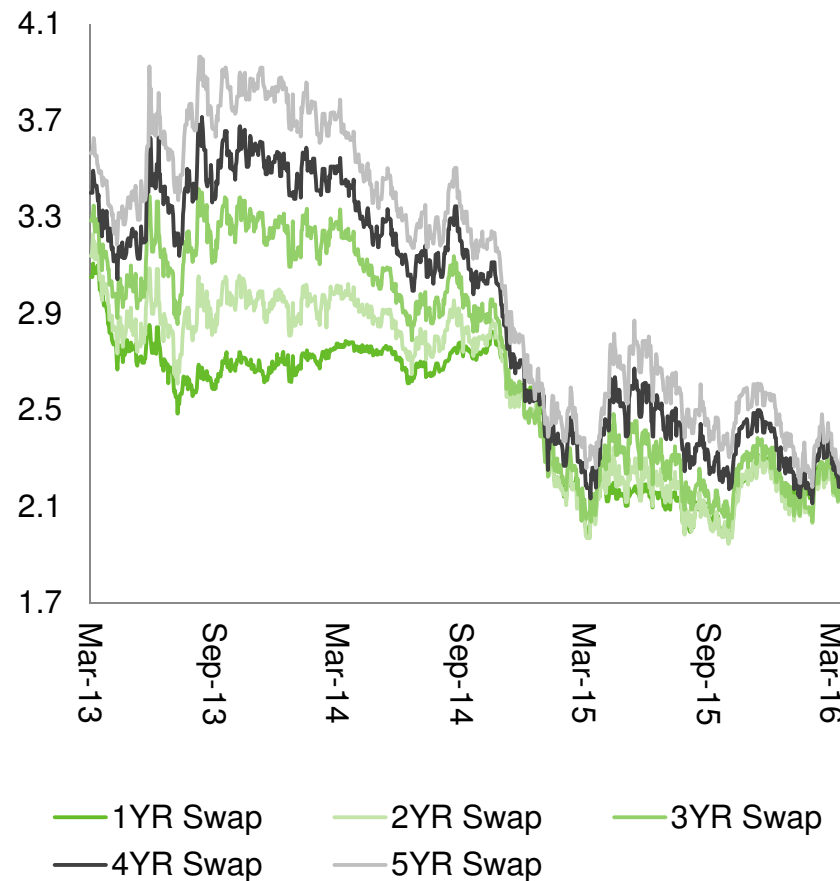
8.4% NAV growth for the year (pre-transaction costs)



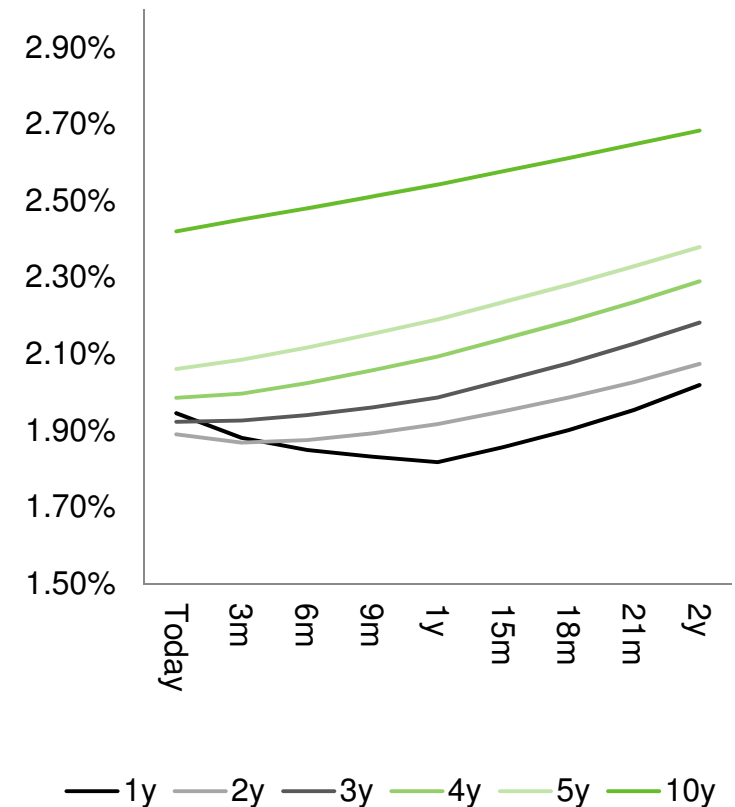
Funding rates

Historically low interest rates and benign environment

Historic rates



Forward swap curve

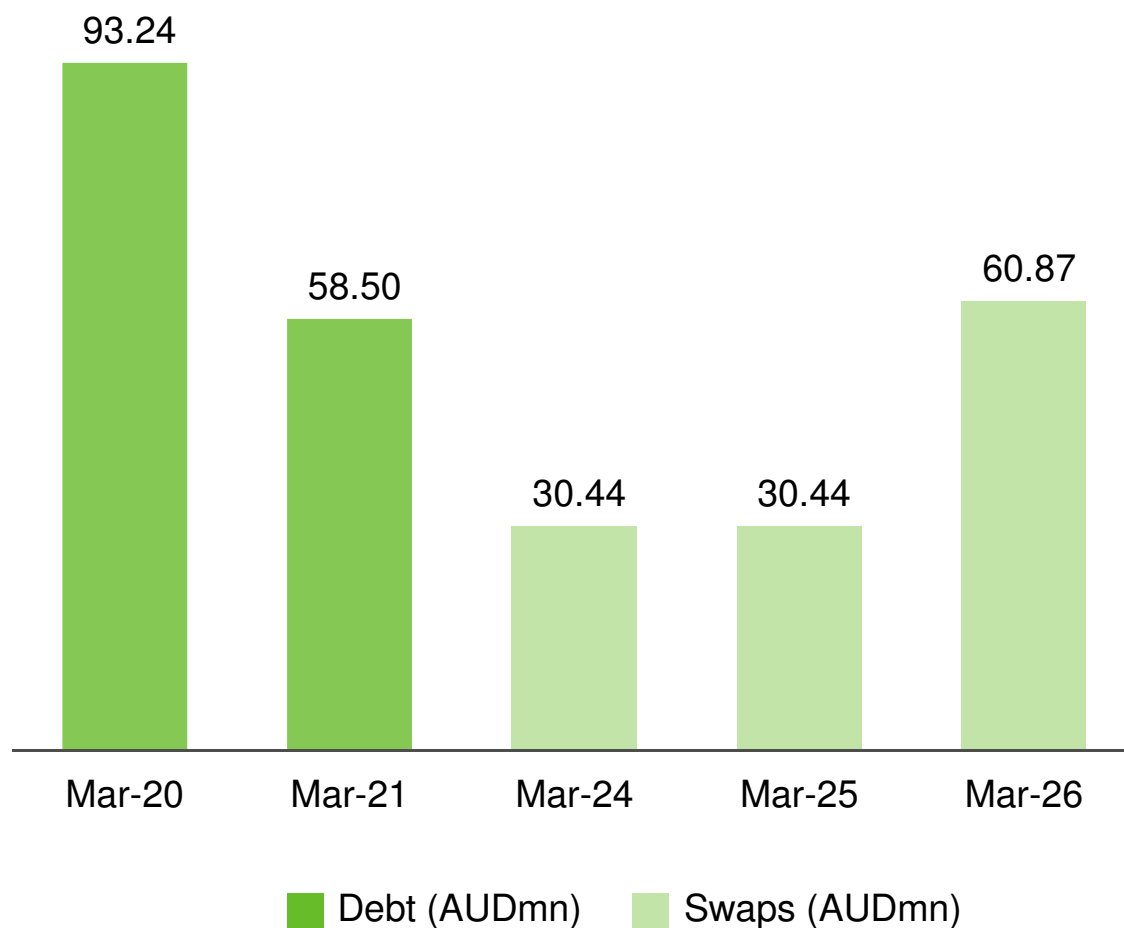


Source: Bloomberg

Australia Property Fund

Debt and hedging

Doubled the swap expiry; maintained debt expiry above 4 years; reduced funding costs by 32 bps



All in cost of funding

2016	2015
3.83%	4.15%

9.2 years

WEIGHTED SWAP
EXPIRY

86% hedged

4.1 years

WEIGHTED DEBT
EXPIRY

29% geared

Out of the Ordinary®



Australia Property Fund

conclusion



Conclusion

Strong prospects

- IAPF remains a compelling investment opportunity in an Australian REIT
- Outperformed guidance with strong financial results in AUD and ZAR
- Scale provides opportunity to leverage competitiveness and mitigate risk whilst maintaining quality
- Target AUD 1 billion in two years
- Expected distribution growth for FY 2017 of 6%–8%*
- IAPF offers an attractive return which is underpinned by:
 - Sound macro economy with forecast stable growth
 - All time low funding rates
 - Embedded contractual rental growth
 - Active asset management delivering upside
 - Attractive discount to both Australian and South African property sectors

** Assumptions*

This guidance assumes partial deployment at the lower end and full deployment at the upper end of gearing capacity during FY2017 into similar yielding assets.

This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur and budgeted renewals will be concluded. Budgeted rental income was based on in force leases, contractual escalations and market-related renewals.

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appendix

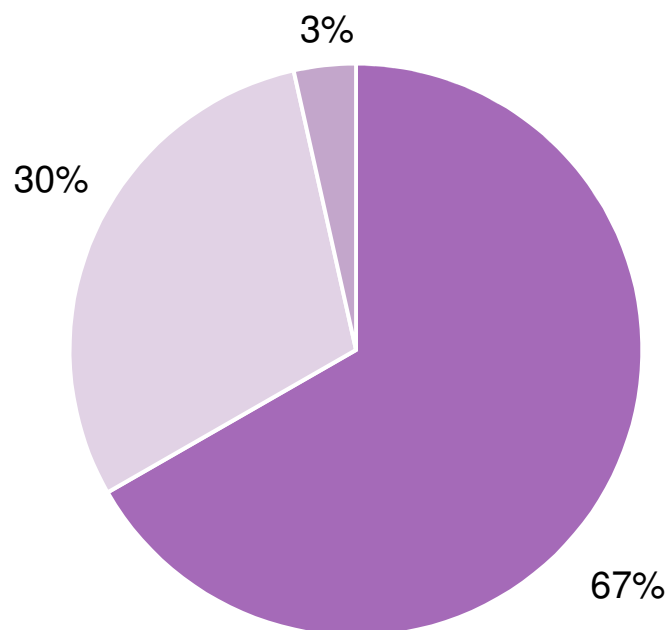


Property portfolio

Property	City	State	Sector	Book value (AUD)	% of portfolio by value	GLA (m ²)	% of portfolio by area	Cap rate
Industrial portfolio								
47 Sawmill Circuit, Hume	Canberra	ACT	Industrial	10,400,000	2.11%	5,535	3.26%	7.25%
57 Sawmill Circuit, Hume	Canberra	ACT	Industrial	9,100,000	1.84%	7,079	4.18%	7.75%
24 Sawmill Circuit, Hume	Canberra	ACT	Industrial	9,400,000	1.90%	6,300	3.72%	7.75%
44 Sawmill Circuit, Hume	Canberra	ACT	Industrial	9,500,000	1.92%	4,639	2.74%	8.75%
2–8 Mirage Road, Direk	Adelaide	SA	Industrial	9,800,000	1.98%	6,783	4.00%	8.00%
30–48 Kellar Street, Berrinba	Brisbane	QLD	Industrial	8,450,000	1.71%	4,102	2.42%	7.50%
165 Newton Road, Wetherill Park	Sydney	NSW	Industrial	19,400,000	3.93%	12,529	7.39%	7.00%
24 Spit Island Close, Newcastle	Sydney	NSW	Industrial	8,350,000	1.69%	5,258	3.10%	8.00%
67 Calarco Drive, Derrimut	Melbourne	VIC	Industrial	8,950,000	1.81%	7,150	4.22%	7.00%
Industrial assets acquired during the year								
66 Glendenning Road, Glendenning	Sydney	NSW	Industrial	20,100,000	4.07%	16,461	9.71%	7.50%
85 Radius Drive, Larapinta	Brisbane	QLD	Industrial	18,150,000	3.68%	10,088	5.95%	7.25%
54 Miguel Road, Bibra Lake	Perth	WA	Industrial	26,000,000	5.26%	22,358	13.19%	8.00%
Office portfolio								
449 Punt Road, Cremorne	Melbourne	VIC	Office	41,700,000	8.44%	6,384	3.77%	7.00%
35–49 Elizabeth Street, Richmond	Melbourne	VIC	Office	72,000,000	14.58%	11,916	7.03%	7.25%
Building 20, 2404 Logan Road, Eight Mile Plains	Brisbane	QLD	Office	20,400,000	4.13%	3,571	2.11%	8.00%
186 Reed Street, Greenway	Canberra	ACT	Office	27,400,000	5.55%	5,407	3.19%	7.50%
757 Ann Street, Fortitude Valley	Brisbane	QLD	Office	75,000,000	15.19%	9,455	5.58%	7.25%
21–23 Solent Circuit, Baulkham Hills	Sydney	NSW	Office	43,000,000	8.71%	10,815	6.38%	8.75%
Office assets acquired during the year								
266 King Street, Newcastle	Newcastle	NSW	Office	56,750,000	11.49%	13,706	8.08%	8.38%
Total at 31 March 2016				493,850,000		169,535		7.65

Tenant composition

Strong tenant covenants; limited exposure to China slowdown and commodities-based industries



Rank	Tenant	% of portfolio
1	ABB Enterprise software	8%
2	Carsalescom Limited	7%
3	Toll Transport Pty Limited	7%
4	Commonwealth of Australia	7%
5	Australian Taxation Office	6%
6	Horan Steel	5%
7	CTI Logistics	5%
8	State Government of Victoria	5%
9	Allied Pickfords	4%
10	Clarendon Residential Holdings Pty Ltd	4%
	Total	58%
	Other	42%

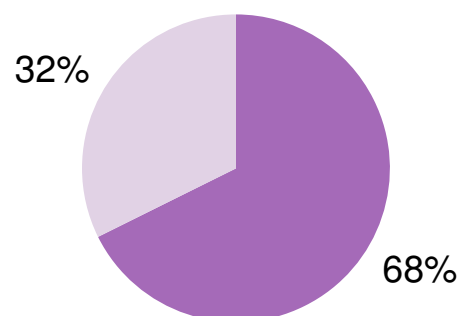
- Large, international, listed, large professional, government and major franchises
- National, small listed, local government and medium professional firms
- Other

Portfolio by sector

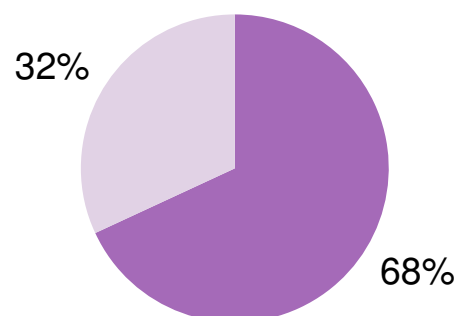
Well balanced portfolio

2016

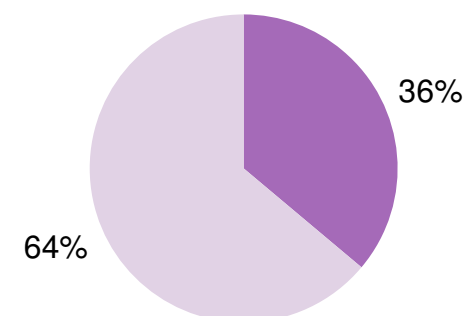
By revenue



By asset value

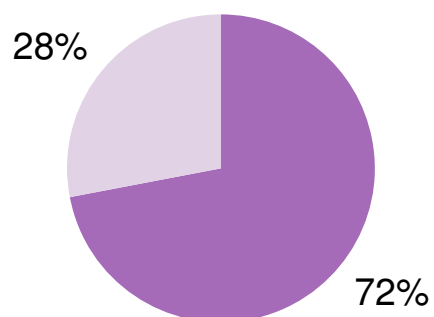


By GLA

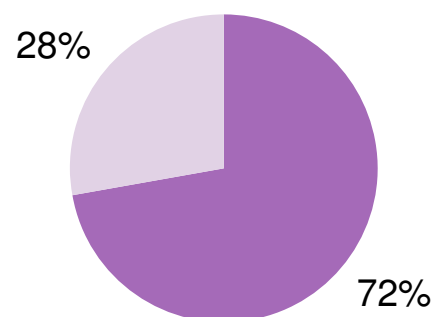


2015

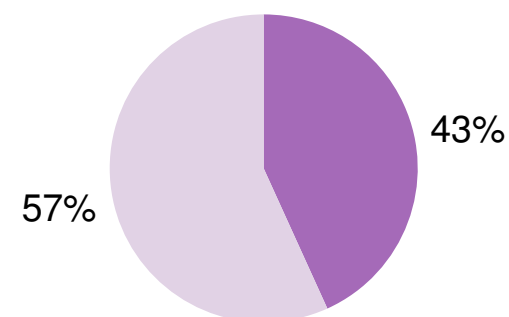
By revenue



By asset value



By GLA



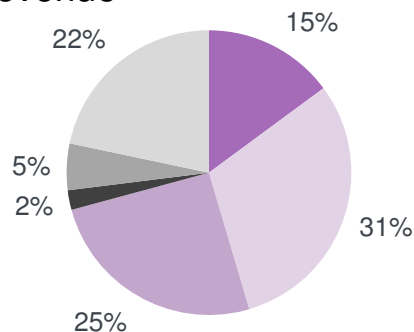
■ Office ■ Industrial

Portfolio by geography

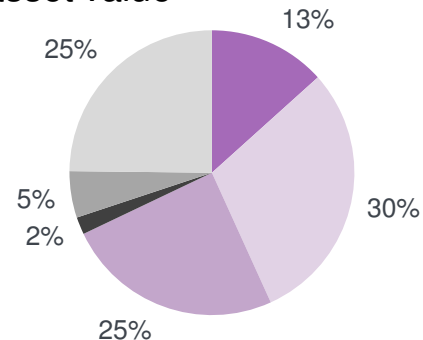
Geographically diversified with majority of exposure to NSW and VIC

2016

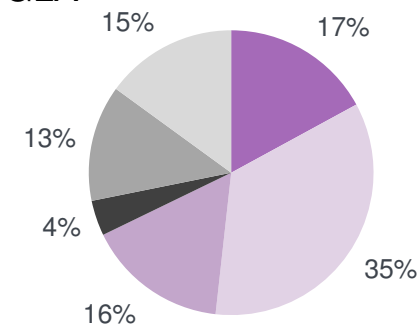
By revenue



By asset value

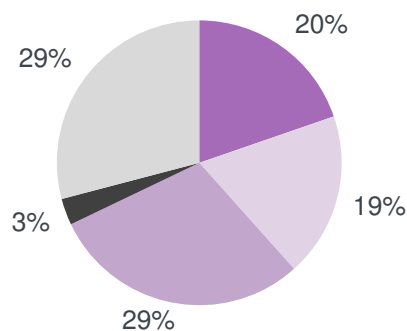


By GLA

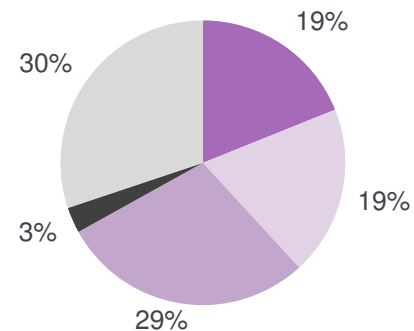


2015

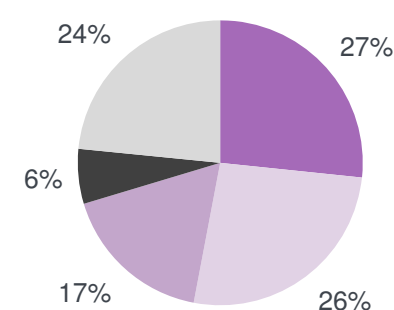
By revenue



By asset value



By GLA



■ ACT ■ NSW ■ QLD ■ SA ■ WA ■ VIC

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Australia Property Fund



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