



# Internalisation and funds management proposal

## Investor presentation



# Proposal to internalise management and acquire third party funds management platform

|   |   |
|---|---|
| <p><b>Overview</b></p>  | <ul style="list-style-type: none"> <li>As announced to the ASX and the JSE on 10 June 2020, the Responsible Entity established a Board sub-committee comprising Richard Longes, Sally Herman, Hugh Martin and Georgina Lynch (the “<b>Independent Directors</b>”) to commence discussions with respect to internalising the management of IAPF</li> <li>These discussions resulted in IAPF entering into the Implementation Deed with the Investec Group in relation to an internalisation proposal (the “<b>Proposal</b>”),<sup>1</sup> which includes:             <ul style="list-style-type: none"> <li>the acquisition of the management rights of IAPF (along with the current management team);</li> <li>the acquisition of the investment and asset management rights of Templewater Australia Property I, L.P. and its sub-trusts (“<b>TAP Fund</b>”), a third-party fund with a broad mandate to invest in opportunistic transactions in the Australian and New Zealand real estate markets; and</li> <li>a commitment by IAPF II to invest up to \$30 million in the TAP Fund (the “<b>TAP Commitment</b>”)</li> </ul> </li> <li>IAPF’s existing management team will continue to serve as the management of IAPF. Key Management comprises Graeme Katz (Executive Director and Chief Executive Officer), Zach McHerron (Fund Manager) and Kristie Lenton (Chief Financial Officer)</li> </ul> |
| <p><b>Terms agreed</b></p>  | <ul style="list-style-type: none"> <li>IAPF II will pay \$40m<sup>2</sup> to the Investec Group to acquire the management rights of IAPF and the TAP Fund (“<b>Total Consideration</b>”). This represents a 9.0 times IAPF II annualised forecast FY21 EBIT multiple</li> <li>The Total Consideration will be funded by drawing on existing IAPF debt facilities</li> </ul>   |
| <p><b>Benefits / Financial Outcomes</b></p>                           | <ul style="list-style-type: none"> <li>The Proposal provides significant strategic and corporate governance benefits for Unitholders</li> <li>Expected to deliver 0.1% Funds From Operations (“<b>FFO</b>”) accretion and 4.8% Adjusted Funds From Operations (“<b>AFFO</b>”) accretion for FY21 on a pro forma basis<sup>3</sup></li> <li>The Proposal is expected to result in a FY21 pro forma distribution of 8.85cps</li> <li>Establishes a third-party funds management platform by way of the management rights to the TAP Fund and the provision of asset management services in relation to certain assets in which the Investec Group retains an interest</li> </ul>  |
| <p><b>Unanimous recommendation and Independent Expert opinion</b></p> | <ul style="list-style-type: none"> <li>The Independent Directors unanimously recommend the Proposal, in the absence of a Superior Proposal</li> <li>The Independent Expert has concluded the Proposal is fair and reasonable to, and in the best interests of, Unitholders not associated with the Investec Group</li> </ul>  |

1. As announced to the ASX and the JSE on 15 October 2020. 2. Subject to certain adjustments as described in Section 11.1 of the Explanatory Memorandum. 3. See Section 6 and Annexure B of the Explanatory Memorandum for details of the basis of preparation, details of the FFO and AFFO calculations and the underlying assumptions.






# Transaction framework

|                                    |   |
|------------------------------------|---|
| <b>Independent Board Committee</b> | <ul style="list-style-type: none"> <li>• The Independent Directors have formed a sub-committee to assess the Proposal</li> <li>• A strict governance and information sharing protocol was adopted to ensure independent consideration of the Proposal</li> </ul>  |
| <b>Independent Expert</b>          | <ul style="list-style-type: none"> <li>• The Independent Directors appointed Deloitte Corporate Finance Pty Limited to prepare an Independent Expert’s Report</li> </ul>  |
| <b>Conditions</b>                  | <ul style="list-style-type: none"> <li>• In order for the Proposal to proceed, an ordinary resolution must be passed by a simple majority of votes cast by Unitholders entitled to vote at the Meeting scheduled for 5.00pm (Sydney time) / 8.00am (Johannesburg time) on Tuesday, 17 November 2020</li> <li>• The Proposal is also conditional on (among other things) regulatory approvals and third party consents being obtained</li> </ul>   |
| <b>Structure</b>                   | <ul style="list-style-type: none"> <li>• IAPF II will acquire the shares in IAPH, which is the holding company of the Responsible Entity, the Manager and certain other entities that are involved in the management of IAPF (through this acquisition, IAPF II will acquire the management rights of IAPF I)</li> <li>• If approved, the Proposal will create a stapled entity incorporating a funds management platform which is initially focused on the management of the TAP Fund</li> </ul>   |
| <b>TAP Fund</b>                    | <ul style="list-style-type: none"> <li>• The TAP Fund is an unlisted Australian opportunity fund launched in December 2019</li> <li>• It seeks to invest in opportunistic real estate transactions in Australia and New Zealand with a shorter-term investment horizon than more passive investments, including value add and real estate backed debt opportunities which require more active management</li> <li>• The TAP Fund is intending to raise \$300 million to deliver on its strategy             <ul style="list-style-type: none"> <li>• To date the TAP Fund has received binding, firm commitments from investors of \$140 million (including a binding commitment from IAPF II to invest up to \$30 million and a binding commitment from Investec Group to invest up to \$10 million)</li> </ul> </li> <li>• The current investments of the TAP Fund comprise<sup>1</sup>:             <ul style="list-style-type: none"> <li>• the Metro Northcote Investment, which is a mezzanine debt loan for the development of a residential townhouse project in Victoria (representing a \$13.5 million project commitment);<sup>2</sup> and</li> <li>• the KPG1 Investment, which is a senior debt loan provided for the development of a self-storage asset in Queensland (representing a \$7.5 million project commitment)</li> </ul> </li> </ul> |

1. Three further investments have received investment committee approval. 2. Completion of this investment is expected to occur prior to implementation of the Proposal .

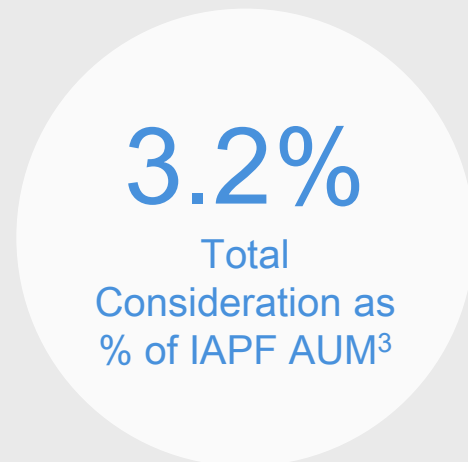
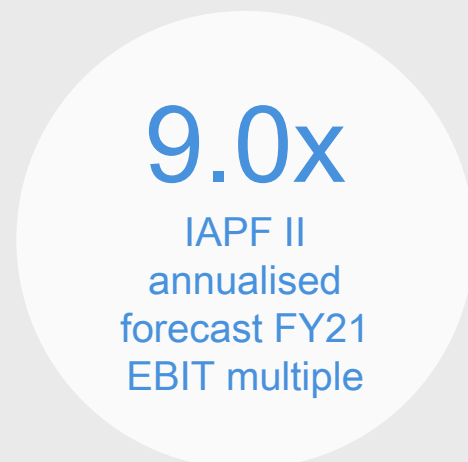


# Outcome for Unitholders

|  |  |
|--|--|
|  <p><b>Enhanced corporate governance framework</b></p>            | <ul style="list-style-type: none"> <li>• Directors and management will be solely responsible to Unitholders for the management and operation of IAPF</li> <li>• Enhanced accountability, with Unitholders able to vote on the appointment of Directors on a rotational basis</li> <li>• IAPF will also be subject to additional corporate governance principles in the King IV Code and the ASX Guidelines</li> </ul>  |
|  <p><b>Alignment of interest and continuity of management</b></p> | <ul style="list-style-type: none"> <li>• Management will now be employed by and accountable to the Board, who will set remuneration incentives tailored to the objectives of IAPF</li> <li>• The existing strategy and management team which has delivered consistently positive outcomes will be maintained</li> </ul>  |
|  <p><b>Financial benefits</b></p>                                 | <ul style="list-style-type: none"> <li>• The Proposal is expected to be 0.1% accretive to FFO and 4.8% accretive to AFFO in FY21 on a pro forma basis</li> <li>• Gearing will increase from 22.2% to 25.8%<sup>1</sup>, albeit below the target range of 30%–40%</li> <li>• NTA per security will decrease from \$1.32 to \$1.24 on a pro forma basis as the management rights will be accounted for as an intangible asset, however NAV per security is not expected to be materially impacted</li> </ul>   |
|  <p><b>Growth and diversification of income streams</b></p>      | <ul style="list-style-type: none"> <li>• IAPF will no longer pay investment management, property management and leasing fees to Investec, providing Unitholders with a scalable platform</li> <li>• Establishes a third-party funds management platform by way of the management rights to the TAP Fund and the provision of asset management services in relation to certain assets in which the Investec Group has an interest             <ul style="list-style-type: none"> <li>• Providing potential for additional income streams via funds management and asset management opportunities</li> </ul> </li> </ul> |
|  <p><b>Increased investor participation</b></p>                 | <ul style="list-style-type: none"> <li>• Internalisation aligns IAPF with industry standard, with only one externally managed REIT being included in the top 10 REITs by market capitalisation (as at 12 October 2020)</li> <li>• Some investors prefer investing in internally managed REITs</li> <li>• The Proposal may drive increases in demand for and liquidity of IAPF</li> </ul>   |

<sup>1</sup>. Gearing on a pro forma basis as at 31 March 2020 post disposal of 757 Ann Street, Fortitude Valley QLD, which was sold effective 1 April 2020.

## Financial impact of the Proposal<sup>1</sup>



1. See Section 6 and Annexure B of the Explanatory Memorandum for details of the basis of preparation, details of the FFO and AFFO calculations and the underlying assumptions. 2. Gearing on a pro forma basis as at 31 March 2020 post disposal of 757 Ann Street, Fortitude Valley QLD, which was sold effective 1 April 2020. 3. AUM includes the Properties valued at \$1,085 million and binding commitments to invest in the TAP Fund of \$140 million. Total Consideration as a % of AUM of IAPF I only is 3.7%.

# Key dates<sup>1</sup>

## Important dates

## Sydney time (unless otherwise specified)

|   |  |
|---|--|
| Despatch of Explanatory Memorandum, Notice of Meeting and Product Disclosure Statement to Unitholders | Tuesday, 20 October 2020   |
| Voting Record Date  | 7.00pm (Sydney time) / 10.00am (Johannesburg time) on Friday, 13 November 2020 |
| Meeting Date  | 5.00pm (Sydney time) / 8.00am (Johannesburg time) on Tuesday, 17 November 2020 |

## If the Resolution is approved by Unitholders and the Conditions are fulfilled

## Sydney time (unless otherwise specified)

|   |                             |
|---|-----------------------------|
| Last day of trading in unstapled IAPF I Units on the JSE                                  | Friday, 20 November 2020    |
| Last day of trading in unstapled IAPF I Units on the ASX                                  | Monday, 23 November 2020    |
| Stapled Securities commence trading on the JSE (on a normal settlement basis)             | Tuesday, 24 November 2020   |
| Stapled Securities commence trading on the ASX (on a deferred settlement basis)           | Tuesday, 24 November 2020   |
| Stapling Record Date and last day for registration of transfers of unstapled IAPF I Units | Wednesday, 25 November 2020 |
| Implementation Date (effective date of management internalisation)                        | Monday, 30 November 2020    |
| Stapled Securities commence trading on the ASX (on a normal settlement basis)             | Monday, 30 November 2020    |

*1. Abridged version of key dates of the Proposal, refer to the 'Key dates' section of the Explanatory Memorandum for full timetable. These dates are indicative only and may be subject to change and all other conditions being satisfied.*

## Disadvantages and risks of the Proposal

|  |   |
|--|---|
| <b>Decrease in NTA</b>                         | <ul style="list-style-type: none"> <li>As the management rights will be accounted for as an intangible asset, IAPF's NTA per security will decrease by 5.7% from \$1.32 to \$1.24</li> <li>IAPF's NAV per security (which ascribes value to the management rights acquired) is not expected to be materially impacted</li> </ul>  |
| <b>Increase in Gearing</b>                     | <ul style="list-style-type: none"> <li>Given the intangible asset acquired does not contribute to IAPF's asset base for the purpose of calculating Gearing, the debt drawn to fund the Total Consideration and Transaction Costs will increase Gearing from 22.2% to 25.8%,<sup>1</sup> albeit remaining below the target range of 30%–40%</li> <li>The progressive investment in the TAP Fund (via the TAP Commitment) will also be funded by a new debt tranche that will be added to the Facility Agreement. If IAPF II were to contribute 100% of its \$30 million investment, the Gearing would increase to 27.8%<sup>2</sup></li> </ul> |
| <b>No access to Investec Group's resources</b> | <ul style="list-style-type: none"> <li>While the current management team will transfer to IAPF under the Proposal, IAPF will no longer have access to the Investec Group's other resources</li> <li>While the Proposal will likely see a reduction in the management expense ratio, Unitholders will be directly exposed to the ongoing operating costs of management</li> <li>The addition of a stapled entity to the group may also increase administrative and compliance costs</li> </ul>   |
| <b>Employees</b>                               | <ul style="list-style-type: none"> <li>IAPF will be reliant on retaining and attracting quality senior management and personnel to operate IAPF. There is a risk the Proposal could trigger the loss of services of senior management or key personnel, and new personnel might have less specialist experience or be more expensive which could adversely affect IAPF's operations and performance</li> </ul>  |
| <b>Historical liabilities</b>                  | <ul style="list-style-type: none"> <li>Entities acquired as part of the Proposal may have historical liabilities. To address this, the Independent Directors have commissioned legal, tax and accounting due diligence and obtained substantive warranties and indemnities under the Implementation Deed</li> </ul>   |
| <b>TAP Commitment</b>                          | <ul style="list-style-type: none"> <li>The Proposal requires IAPF II to allocate \$30 million to progressively invest in the TAP Fund. This represents an opportunity cost as IAPF II cannot allocate these funds to invest in other assets</li> <li>The TAP Commitment, if called, will provide IAPF II with an interest in the investments made by the TAP Fund, which have a risk profile that is significantly different to the properties owned by IAPF and may be different to current investment preferences of Unitholders</li> </ul>   |

1. Gearing on a pro forma basis as at 31 March 2020 post disposal of 757 Ann Street, Fortitude Valley QLD, which was sold effective 1 April 2020. 2. Following implementation, IAPF II is not expected to contribute a portion of the TAP Commitment until at least the end of March 2021

## Disadvantages and risks of the Proposal (cont.)

|                            |   |
|----------------------------|---|
| <b>Transaction Costs</b>   | <ul style="list-style-type: none"> <li>IAPF will incur Transaction Costs of approximately \$6.7 million in connection with the Proposal if implemented (compared to \$4.8 million of transaction costs if the Proposal does not proceed)</li> </ul>   |
| <b>TAP Fund management</b> | <ul style="list-style-type: none"> <li>There are risks associated with management of the TAP Fund, including management of the TAP Fund not generating expected revenues, the TAP Investment Management Agreement being terminated, and a conflict of interest arising in circumstances where the Manager sources an acquisition or investment opportunity which falls within the investment mandate of both IAPF I and the TAP Fund (although currently an overlap between IAPF I's mandate and the mandate of the TAP Fund is not expected)</li> </ul>  |
| <b>Other general risks</b> | <ul style="list-style-type: none"> <li>IAPF will be exposed to movements and volatility in operating cost structures such that there is a risk that ongoing operating costs may be higher than anticipated</li> <li>There is a risk that the assumptions in the financial information in Section 6 of the Explanatory Memorandum may not be achieved</li> <li>The addition of a new stapled registered Managed Investment Scheme to the group structure gives rise to additional regulatory, tax, and legal requirements which may increase administrative and compliance costs</li> <li>There can be no guarantee that the price of securities will increase following implementation of the Proposal</li> </ul> |





# Appendix A

## Financials

## Expected to be 0.1% accretive to FFO and 4.8% accretive to AFFO in FY21 on a pro forma basis

### Summary

- IAPF Group pro forma forecast FY21 income statement<sup>1</sup> calculated as:
  - forecast income statement for IAPF I for the year ending 31 March 2021 prepared on a standalone basis;
  - forecast income statement for IAPF II for the period from 1 November 2020 to 31 March 2021, prepared on a standalone basis;
  - the impact arising from the Proposal and elimination adjustments with respect to cross-staple transactions assuming implementation occurred on 1 November 2020; and
  - the pro forma impact arising from the Proposal assuming 1 April 2020 implementation
- The Proposal is expected to be 0.1% accretive to FFO and 4.8% accretive to AFFO accretive in FY21 on a pro forma basis

### Illustrative internalisation impact on IAPF Group (pro forma FY21, \$m)

|   | IAPF I FY21<br>(A) | IAPF II (B)  | Adjustment<br>(C) | Pro Forma<br>Adjustments<br>(D) | IAPF Group pro forma<br>FY21 <sup>1</sup> (A+B+C+D) |
|---|--------------------|--------------|-------------------|---------------------------------|---|
| Revenue <sup>2,3</sup>                      | 91.3               | -            | -                 | -                               | 91.3  |
| Fee income                                  | -                  | 5.3          | (3.4)             | 1.9                             | 3.8   |
| Property expenses                           | (20.5)             | -            | -                 | -                               | (20.5)  |
| <b>Net property income</b>                  | <b>70.8</b>        | <b>5.3</b>   | <b>(3.4)</b>      | <b>1.9</b>                      | <b>74.7</b>   |
| Management fees                             | (5.8)              | -            | 2.5               | 3.3                             | -   |
| Other operating expenses                    | (1.7)              | (3.5)        | -                 | (4.8)                           | (9.9)   |
| Transaction related costs                   | -                  | (7.1)        | -                 | (0.5)                           | (7.5)   |
| Finance costs                               | (8.3)              | -            | (0.6)             | (0.8)                           | (9.6)   |
| Fair value adjustments                      | (6.9)              | -            | -                 | -                               | (6.9)   |
| <b>Net profit</b>                           | <b>48.1</b>        | <b>(5.2)</b> | <b>(1.4)</b>      | <b>(0.8)</b>                    | <b>40.6</b>   |
| Straight-line rental revenue adjustment     | (0.5)              | -            | -                 | -                               | (0.5)   |
| Fair value adjustments                      | 6.9                | -            | -                 | -                               | 6.9   |
| Amortisation of incentives and leasing fees | 1.6                | -            | -                 | -                               | 1.6   |
| Transaction costs                           | -                  | 6.7          | -                 | -                               | 6.7   |
| Employee retention accrual                  | -                  | 0.3          | -                 | 0.5                             | 0.8   |
| <b>FFO</b>                                  | <b>56.2</b>        | <b>1.8</b>   | <b>(1.4)</b>      | <b>(0.4)</b>                    | <b>56.3</b>   |
| Maintenance capex                           | (2.1)              | -            | -                 | -                               | (2.1)   |
| Cash incentives and leasing fees            | (4.1)              | -            | 2.3               | -                               | (1.7)   |
| <b>AFFO</b>                                 | <b>50</b>          | <b>1.8</b>   | <b>0.9</b>        | <b>(0.4)</b>                    | <b>52.4</b>   |
| <b>FFO per unit (cents)</b>                 | <b>9.20</b>        |              | <b>+0.1%</b>      |                                 | <b>9.21</b>   |
| <b>AFFO per unit (cents)</b>                | <b>8.18</b>        |              | <b>+4.8%</b>      |                                 | <b>8.57</b>   |

1. Assumes implementation occurred on 1 April 2020. 2. Includes straight-line rental revenue adjustment. 3. Subject to the following material assumptions in relation to revenue: (1) Contracted revenue is based on existing lease agreements including stipulated increases; (2) Of the leases expiring during FY21, renewals or re-leasing assumptions translates to \$0.2 million (0.2%) of rental income; and (3) Of the rental income of \$90.8 million for the year ended 31 March 2021, 99.8% relates to contracted rental income.

## IAPF's gearing will remain below the target range of 30% - 40%

### Summary

- The impact of the Proposal includes the acquisition of IAPH by IAPF II via the drawdown of \$46.7 million in debt to fund the Total Consideration of \$40.0 million and transaction costs of \$6.7 million
- The management rights is recognised as a \$39.5 million adjustment in intangible assets
  - As such, IAPF's NTA per Stapled Security will decrease by 5.7% from \$1.32 to \$1.24 but the NAV per Stapled Security (which ascribes value to the management rights acquired) is not expected to be materially impacted; and
  - The debt drawn to fund the Total Consideration and Transaction Costs will increase IAPF's Gearing from 22.2% to 25.8%,<sup>1</sup> albeit remaining below the target range of 30% - 40%

### Pro forma historical balance sheet (31 March 2020, \$m)

|   | IAPF I<br>31 March 2020 | Ann Street<br>disposal<br>adjustment <sup>1</sup> | Proposal<br>adjustment | IAPF Group pro<br>forma FY20<br>31 March 2020 |
|---|-------------------------|---|------------------------|---|
| <b>Assets</b>                                 |                         |   |                        |   |
| Cash and cash equivalents                     | 17.1                    | -   | 2.6                    | 19.8  |
| Investment properties                         | 1,179.0                 | (94.0)  | -                      | 1,085.0                                       |
| Intangibles                                   | -                       | -   | 39.5                   | 39.5  |
| Other assets                                  | 4.5                     | -   | -                      | 4.5   |
| <b>Total assets</b>                           | <b>1,200.6</b>          | <b>(94.0)</b>                                     | <b>42.1</b>            | <b>1,148.7</b>                                |
| <b>Liabilities</b>                            |                         |   |                        |   |
| Borrowings                                    | 345.5                   | (92.7)  | 46.7                   | 299.5   |
| Employee entitlements                         | -                       | -   | 2.1                    | 2.1   |
| Other liabilities                             | 46.8                    | -   | -                      | 46.8  |
| <b>Total liabilities</b>                      | <b>392.4</b>            | <b>(92.7)</b>                                     | <b>48.9</b>            | <b>348.6</b>                                  |
| <b>Net assets</b>                             | <b>808.2</b>            | <b>(1.3)</b>                                      | <b>(6.7)</b>           | <b>800.1</b>                                  |
| Contributed equity                            | 696.4                   | -   | -                      | 696.4   |
| Retained earnings                             | 111.8                   | (1.3)   | (6.7)                  | 103.7   |
| <b>Total equity</b>                           | <b>808.2</b>            | <b>(1.3)</b>                                      | <b>(6.7)</b>           | <b>800.1</b>                                  |
| Units on issue ('000)                         | 611,298                 | -   | -                      | 611,298                                       |
| <b>Net tangible asset value per unit (\$)</b> | <b>1.32</b>             |   |                        | <b>1.24</b>                                   |
| Net asset value per unit (\$)                 | 1.32                    |   |                        | 1.31  |
| <b>Gearing (%)</b>                            | <b>27.9</b>             |   |                        | <b>25.8</b>                                   |

1. Gearing on a pro forma basis as at 31 March 2020 post disposal of 757 Ann Street, Fortitude Valley QLD, which was sold effective 1 April 2020.





# Appendix B Glossary

# Glossary of terms<sup>1</sup>

| Term                                | Meaning   |
|-------------------------------------|---|
| <b>\$ or AUD</b>                    | Australian dollars, being the lawful currency of Australia.   |
| <b>AAS</b>                          | Australian Accounting Standards and other authoritative announcements issued by the Australian Accounting Standards Board.  |
| <b>AFFO</b>                         | Adjusted funds from operations, calculated in line with the Property Council Guidelines, being FFO adjusted for maintenance capital expenditure, cash and cash equivalent incentives (including rent free incentives) given to tenants during the period and other one-off items which have not been adjusted in determining FFO. |
| <b>AFSL</b>                         | Australian financial services licence issued under the Corporations Act.  |
| <b>ASIC</b>                         | Australian Securities and Investments Commission.   |
| <b>ASX</b>                          | ASX Limited (ACN 008 624 691) and, where applicable, the Australian securities exchange operated by ASX Limited.  |
| <b>ASX Guidelines</b>               | ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as amended from time to time.   |
| <b>AUM</b>                          | Assets under management.  |
| <b>Board</b>                        | The board of Directors, as further detailed in Section 5.2 of the Explanatory Memorandum.   |
| <b>CIS Act</b>                      | Collective Investment Schemes Control Act, No. 45 of 2002 of South Africa.  |
| <b>Collective Investment Scheme</b> | A collective investment scheme as defined in section 1 of the CIS Act.  |

| Term                          | Meaning   |
|-------------------------------|---|
| <b>Competing Proposal</b>     | Any proposal by a third party in relation to a transaction or arrangement under which if such transaction or arrangement is completed: <ul style="list-style-type: none"> <li>• a person would acquire (directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in the whole or a substantial part of the business conducted by IAPF I or IAPF I's assets or its related bodies corporate;</li> <li>• a person would acquire a relevant interest in, or voting power of, 50% or more of all IAPF I Units on issue;</li> <li>• a person would acquire (directly or indirectly) control of IAPF I within the meaning of section 50AA of the Corporations Act;</li> <li>• a person would otherwise acquire, or merge or amalgamate with, IAPF I; or</li> <li>• IAPF I would be required to abandon or otherwise fail to proceed with the Proposal.</li> </ul> |
| <b>Conditions</b>             | The conditions of the Proposal set out in the Implementation Deed and detailed in Section 2.10 of the Explanatory Memorandum.   |
| <b>Corporations Act</b>       | Corporations Act 2001 (Cth).  |
| <b>Director</b>               | A director of the Responsible Entity.   |
| <b>EBIT</b>                   | Earnings before interest and tax.   |
| <b>Explanatory Memorandum</b> | The explanatory memorandum in relation to the Proposal dispatched on 20 October 2020.   |

1. Capitalised terms not defined in this presentation are defined in the Explanatory Memorandum



# Glossary of terms

| Term                 | Meaning   | Term                         | Meaning  |
|----------------------|---|------------------------------|--|
| <b>FFO</b>           | Funds from operations calculated in accordance with the Property Council Guidelines, determined by adjusting statutory net profit (under AAS) for non-cash and other items such as property revaluations, derivative mark-to-market impacts, amortisation of tenant incentives, gain/loss on sale of investment properties, straight-line rental revenue adjustments, non-FFO tax expenses/benefits and other unrealised one-off items. | <b>IAPF</b>                  | IAPF I or the IAPF Group, as the context requires depending on whether Stapling has occurred.  |
| <b>FMA</b>           | South African Financial Markets Act No 19 of 2012.  | <b>IAPF I</b>                | Investec Australia Property Fund (ARSN 162 067 736), duly registered as a Managed Investment Scheme under the Corporations Act; also recognised as a foreign Collective Investment Scheme and authorised to solicit investments in it from members of the public in South Africa under section 65 of the CIS Act, and, if the context requires, its controlled entities from time to time. |
| <b>FY20</b>          | The financial year ended 31 March 2020.   | <b>IAPF I Unit</b>           | An undivided participatory interest in IAPF I.   |
| <b>FY21</b>          | The financial year ending 31 March 2021.  | <b>IAPF II</b>               | Investec Australia Property Fund II (ARSN 644 081 309), which is duly registered as a Managed Investment Scheme under the Corporations Act, and, if the context requires, its controlled entities from time to time.   |
| <b>Gearing</b>       | Interest bearing liabilities (excluding debt establishment costs) less cash divided by the total value of assets (excluding intangibles and trade and other receivables).   | <b>IAPF II Unit</b>          | An undivided participatory interest in IAPF II.  |
| <b>Group Company</b> | IAPH and each subsidiary of IAPH comprising: <ul style="list-style-type: none"> <li>• the Responsible Entity;</li> <li>• the Manager;</li> <li>• the Hold Trustee;</li> <li>• the Sub Trustee; and</li> <li>• from immediately prior to implementation of the Proposal, the TAP Trustee and the TAP Sub Trustee.</li> </ul>   | <b>IAPF Group</b>            | The group formed as a result of the Stapling of IAPF I Units to IAPF II Units as described in the Explanatory Memorandum, which will comprise IAPF I, IAPF II and their respective controlled entities.  |
| <b>Hold Trust</b>    | Investec Australia Hold Trust No. 1, an intermediary holding trust that is a wholly owned by IAPF and is the holding trust of the Sub Trusts that own the Portfolio.  | <b>IAPH</b>                  | Investec Australia Property Holdings Pty Limited (ACN 138 087 993), which as at the date of this presentation is ultimately wholly owned by Investec plc.  |
| <b>Hold Trustee</b>  | Investec Wentworth Pty Limited (ACN 003 388 725), which as at the date of this presentation is the trustee of the Hold Trust and the Point Cook Trust, and the security trustee of the Riverside Security Trust, and is ultimately wholly owned by Investec plc.  | <b>Implementation Date</b>   | The date the Proposal is implemented, expected to be Monday, 30 November 2020.   |
|                      |   | <b>Implementation Deed</b>   | The deed between the Responsible Entity (as responsible entity of IAPF I and IAPF II), the Seller and Investec Australia which sets out the steps necessary to implement the Proposal.   |
|                      |   | <b>Independent Directors</b> | The independent Directors from time to time, which as at the date of this presentation comprise Richard Longes, Sally Herman, Hugh Martin and Georgina Lynch.  |

# Glossary of terms

| Term                               | Meaning  |
|------------------------------------|--|
| <b>Independent Expert</b>          | Deloitte Corporate Finance Pty Limited (ACN 003 833 127).  |
| <b>Independent Expert's Report</b> | The report prepared by the Independent Expert expressing an opinion as to whether the Proposal is fair and reasonable to, and in the best interests of, Unitholders not associated with the Investec Group.  |
| <b>Investec Australia</b>          | Investec Australia Limited (ACN 140 381 184), which is ultimately wholly owned by Investec plc.  |
| <b>Investec Group or Investec</b>  | Investec Limited and Investec plc, being the head entities of the dual listed companies structure comprising the Investec group, and each of their controlled entities as at the date of this presentation, other than, following implementation of the Proposal, the Group Companies. |
| <b>Investec Limited</b>            | Investec Limited (Registration number 1925/002833/06), a public company duly incorporated in accordance with the laws of South Africa and listed on the JSE, with secondary listings on the Botswana Stock Exchange and the Namibian Stock Exchange.                                   |
| <b>Investec plc</b>                | Investec plc (Registration number 3633621), a company registered in England and Wales and listed on the London Stock Exchange, with a secondary listing on the JSE.  |
| <b>JSE</b>                         | JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and, where applicable, the exchange operated by JSE Limited in accordance with its licence under the FMA.   |
| <b>Key Management</b>              | Graeme Katz, Zach McHerron and Kristie Lenton.   |
| <b>King IV Code</b>                | King IV Report on Corporate Governance for South Africa 2016.  |

| Term                                       | Meaning  |
|--|--|
| <b>Managed Investment Scheme</b>           | A managed investment scheme that has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.  |
| <b>Management Agreement</b>                | The management agreement between the Responsible Entity and the Manager dated 1 August 2013, as amended from time to time, the key details of which are set out in Section 11.9 of the Explanatory Memorandum.   |
| <b>Manager</b>                             | Investec Property Management Pty Limited (ACN 161 587 391), which has been contracted under the Management Agreement to provide certain investment management services, property management services and leasing services to IAPF I, and as at the date of this presentation is ultimately wholly owned by Investec plc. |
| <b>Meeting</b>                             | The meeting of Unitholders to consider the Proposal to be held at 5.00pm (Sydney time) / 8.00am (Johannesburg time) on Tuesday, 17 November 2020 (held virtually), and any adjournment of that meeting.  |
| <b>Meeting Date</b>                        | Expected to be Tuesday, 17 November 2020.  |
| <b>NAV</b>                                 | Net asset value.   |
| <b>Notice of Meeting</b>                   | The notice of Meeting to be sent to Unitholders by the Responsible Entity, as set out in Annexure E of the Explanatory Memorandum.   |
| <b>NTA</b>                                 | Net tangible assets.   |
| <b>Portfolio</b>                           | The portfolio of Properties owned by IAPF I and its subsidiaries as at the date of this presentation as set out in Section 4.3 of the Explanatory Memorandum.  |
| <b>Product Disclosure Statement or PDS</b> | A product disclosure statement for the purposes of Part 7.9 of the Corporations Act.   |
| <b>Properties</b>                          | All properties owned by IAPF from time to time.  |

# Glossary of terms

| Term                               | Meaning  | Term                     | Meaning   |
|------------------------------------|--|--------------------------|---|
| <b>Property Council Guidelines</b> | Version 2 of the Property Council of Australia’s “Voluntary Best Practice Guidelines for Disclosing FFO and AFFO”, published in December 2017 and available at <a href="http://www.propertycouncil.com.au">www.propertycouncil.com.au</a> .  | <b>Sub Trustee</b>       | Investec Propco Pty Limited (ACN 161 587 186) (in its capacity as trustee of each of the Sub Trusts), which as at the date of this presentation is ultimately wholly owned by Investec plc.   |
| <b>Proposal</b>                    | <p>A proposal (as described in the Explanatory Memorandum) to:</p> <ul style="list-style-type: none"> <li>• internalise the management functions of IAPF by creating an internally managed stapled group;</li> <li>• assume the management rights of the TAP Fund and certain assets of the Investec Group; and</li> <li>• invest in the TAP Fund via the TAP Commitment.</li> </ul> <p>The key elements of the Proposal are set out in Section 2.2 of the Explanatory Memorandum.</p> | <b>Sub Trusts</b>        | Investec Australia Sub Trust No. 1, Investec Australia Sub Trust No. 2, Investec Australia Sub Trust No. 3, Investec Australia Sub Trust No. 4, Investec Australia Sub Trust No. 5, Investec Australia Sub Trust No. 6, Investec Australia Sub Trust No. 7, Investec Australia Sub Trust No. 8, Investec Australia Sub Trust No. 9, Investec Australia Sub Trust No. 10, Investec Australia Sub Trust No. 11, Investec Australia Sub Trust No. 12, Investec Australia Sub Trust No. 13, Investec Australia Sub Trust No. 14, Investec Australia Sub Trust No. 15, Investec Australia Sub Trust No. 16, Investec Australia Sub Trust No. 17, Investec Australia Sub Trust No. 18, Investec Australia Sub Trust No. 19, Investec Australia Sub Trust No. 20, Investec Australia Sub Trust No. 21, Investec Australia Sub Trust No. 22, Investec Australia Sub Trust No. 23, Investec Australia Sub Trust No. 24, and any other subsidiary trust of Hold Trust created to hold assets of IAPF I, including the Properties. |
| <b>REIT</b>                        | Real estate investment trust.  | <b>Superior Proposal</b> | <p>A bona fide Competing Proposal which the Independent Directors have determined, in good faith after consultation with their external professional advisors, is in their reasonable opinion:</p> <ul style="list-style-type: none"> <li>• reasonably capable of being completed, taking into account all aspects of the Competing Proposal and the person making it; and</li> <li>• more favourable to Unitholders (as a whole) than the Proposal, taking into account all the terms and conditions of the Competing Proposal.</li> </ul>   |
| <b>Resolution</b>                  | The resolution set out in the Notice of Meeting that is required to be approved by Unitholders at the Meeting in order to implement the Proposal.  | <b>TAP Commitment</b>    | A \$30 million commitment to invest in the TAP Fund.  |
| <b>Responsible Entity</b>          | Investec Property Limited (ACN 071 514 246, AFSL 290909) (in its capacity as the responsible entity of IAPF I and/or IAPF II, as the context requires).  |                          |   |
| <b>Seller</b>                      | Investec Bank plc (registration number 00489604), a company registered in England and Wales which is ultimately wholly owned by Investec plc.  |                          |   |
| <b>Stapled Security</b>            | A stapled security comprising one IAPF I Unit and one IAPF II Unit, stapled together as a result of the implementation of the Proposal, so that one may not be transferred or otherwise dealt with without the other.  |                          |   |
| <b>Stapling or Stapled</b>         | The stapling of the IAPF I Units to the IAPF II Units to form the IAPF Group, such that the securities cannot be traded separately.  |                          |   |
| <b>Stapling Record Date</b>        | The date allocated by the Responsible Entity to determine which Unitholders are eligible to receive the distribution of the IAPF II Units for each IAPF I Unit they hold in IAPF I, expected to be Wednesday, 25 November 2020.  |                          |   |

## Glossary of terms

| <b>Term</b>                | <b>Meaning</b>  |
|----------------------------|---|
| <b>TAP Fund</b>            | A fund comprised of the TAP LP, the TAP Head Trust and various sub-trusts that have been established (or may be established from time to time).   |
| <b>TAP Head Trust</b>      | Templewater Australia Property Fund I Head Trust.   |
| <b>TAP LP</b>              | Templewater Australia Property I, L.P.  |
| <b>TAP Sub Trustee</b>     | Investec Templewater No.2 Pty Limited (ACN 642 088 695) (in its capacity as trustee of each sub-trust of the TAP Fund) which as at the date of this presentation is ultimately wholly owned by Investec plc.  |
| <b>TAP Trustee</b>         | Investec Templewater No.1 Pty Limited (ACN 638 015 219) (in its capacity as trustee of the TAP Fund) which as at the date of this presentation is ultimately wholly owned by Investec plc.  |
| <b>Total Consideration</b> | The total consideration of \$40 million which represents the purchase price for the acquisition of the shares in IAPH which is the holding company of the Manager (which holds the management rights of IAPF I), and the management rights to the TAP Fund, subject to certain adjustments provided for in the Implementation Deed and described in Section 11.1 of the Explanatory Memorandum. |
| <b>Transaction Costs</b>   | The transaction costs associated with the Proposal.   |
| <b>Unitholder</b>          | A holder of an IAPF I Unit or Stapled Security, as the context requires depending on whether Stapling has occurred.   |
| <b>Voting Record Date</b>  | 7:00pm (Sydney time) / 10.00am (Johannesburg time) on Friday, 13 November 2020.   |

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The material in this presentation has been prepared by Investec Property Limited (ABN 93 071 514 246; AFSL 290 909) (“**Investec Property**”) as responsible entity of Investec Australia Property Fund (ARSN 162 067 736) (IAPF I) and comprises general background information about the activities of IAPF I, Investec Australia Property Fund II (ARSN 644 081 309) (IAPF II) (together, the “**IAPF Group**”) and their current and proposed activities. This information is given in summary form and does not purport to be complete.

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This presentation provides further detail in relation to key elements of the IAPF Group’s financial performance and financial position. Any additional financial information in this presentation which is not included in the Fund’s financial report was not subject to independent audit by KPMG.

IAPF I and IAPF II were each established in Australia and are registered with ASIC as managed investment schemes.

IAPF I is also registered as a foreign collective investment scheme in terms of Section 65 of the Collective Investment Schemes Control Act No. 45 of 2003 of South Africa and operated by Investec Property, and is currently listed on the JSE and the ASX.



# Disclaimer

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## South Africa

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