

Out of the Ordinary®



Investec Australia Property Fund Interim Results Presentation

November 2014



Out of the Ordinary®



Highlights and Overview



Highlights for the period under review



- ▶ Interim distribution of 4.03 cents per unit pre WHT – **annualised growth of 6.7%**
- ▶ Quality core portfolio supported by sound property fundamentals – **6.7 year WALE, 3.7% escalations**
- ▶ **AUD 104mn** of completed acquisitions at a blended yield of **8.2%**
- ▶ 65% portfolio growth* – **accessed through Investec network**
- ▶ Favourable interest rate environment – **350 bp yield spread on recent acquisitions**
- ▶ 23.6% geared balance sheet – **contributing to geared growth**
- ▶ **AUD 120mn** rights offer fully subscribed subsequent to period end
- ▶ Gearing reduced to zero post rights offer – **providing acquisition capacity of up to AUD 160mn**

**includes completed acquisitions subsequent to period end
Note: all amounts in Australian Dollars unless stated otherwise*

Fund snapshot (current)



Market capitalisation	ZAR 2.74bn / AUD 286mn*
Number of properties	12 (7 industrial + 5 office)
Asset value	AUD 254mn (AUD 57mn industrial, AUD 197mn office)
Unit price	R11.10
Premium to NAV	11.0%
Gearing	24.5% at period end / 0% currently

**based on a unit price of ZAR 11.10 and exchange rate of ZAR 9.58 / AUD 1 as at 19 November 2014*

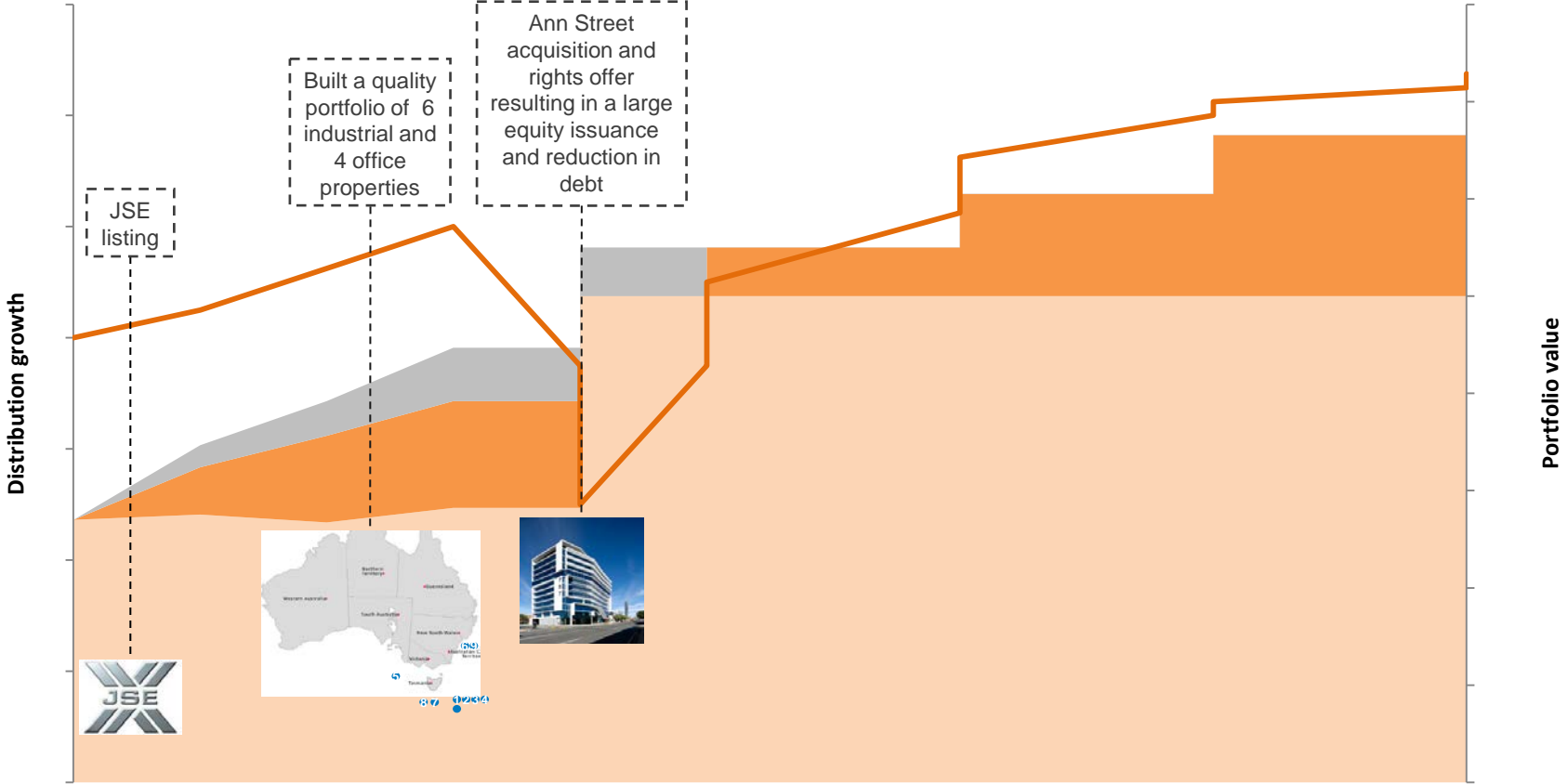
Evolution of IAPF's distribution growth



Increase gearing facilitates distribution growth

Recapitalise to reposition for long term growth

Increase gearing as capital is deployed
Property portfolio achieves scale spurring faster growth



JSE listing

Built a quality portfolio of 6 industrial and 4 office properties

Ann Street acquisition and rights offer resulting in a large equity issuance and reduction in debt



Equity Debt Premium to NAV Distribution growth

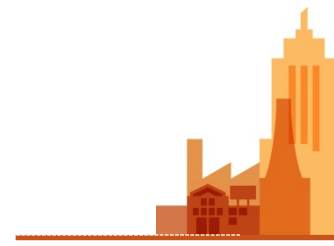
Historical Actuals

Illustrative projections

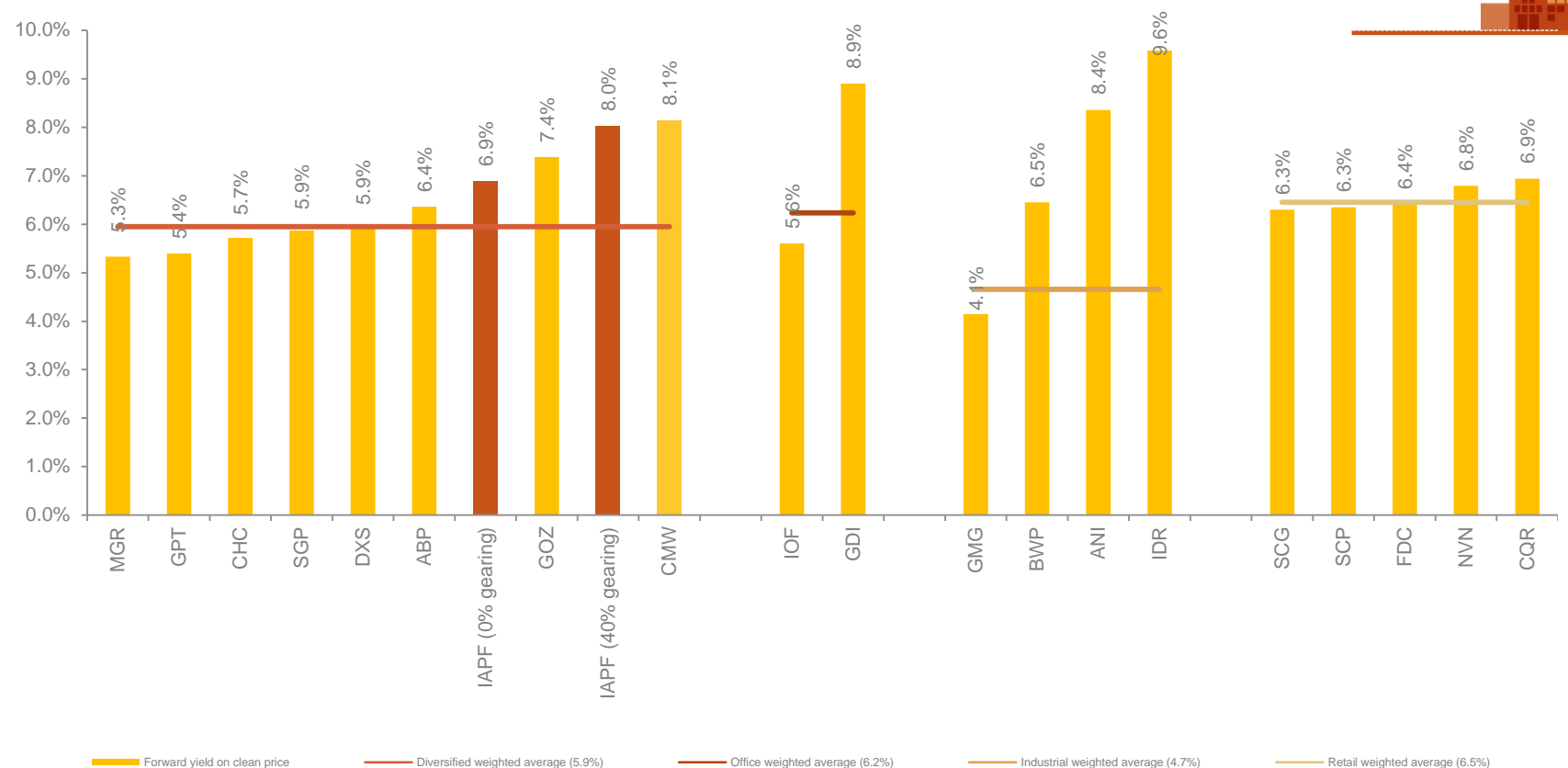
Australia Property Fund

For illustrative purposes only. Past performance is not a reliable indicator of future performance.

Australian property sector yields



Remains attractive relative to Australian peers at comparable gearing levels...



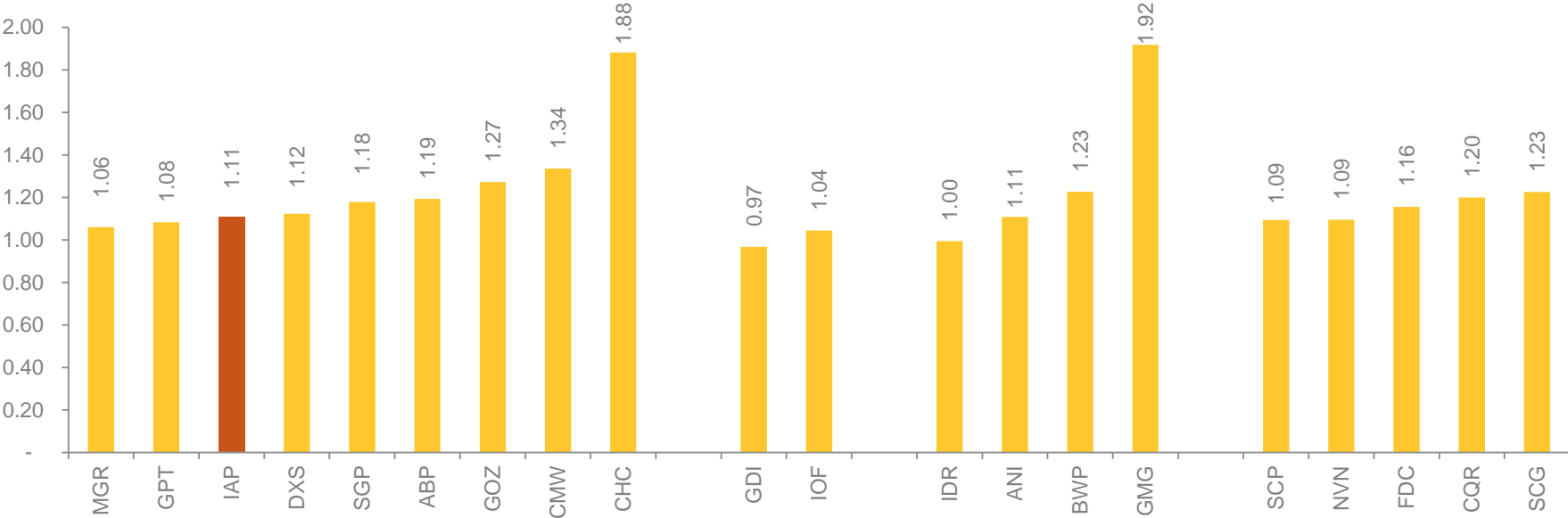
Gearing (%)	31	33	-7	22	46	36	0	41	40	44		36	22		49	24	33	33		40	33	27	32	32
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Source: Bloomberg as at 14-11-2014, Investec calculations
 Note: Yields are based on rolling 12 month distributions on clean prices; IAPF forward yields are pre withholding tax

Australian property sector premiums to NAV (Price to NAV)



Remains attractive relative to Australian peers at comparable gearing levels...



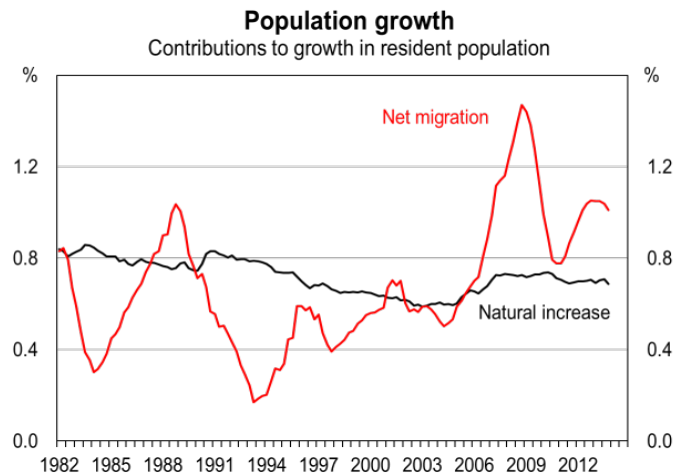
Source: Bloomberg as at 14-11-2014, Investec calculations
 Note: Includes Ann Street and Kellar Street acquisitions

Australian macro landscape



- ▶ Sustained low bond yield environment
- ▶ Australia benefiting as global growth still dominated by Asia
- ▶ Weight of global and local capital chasing direct real estate
- ▶ As mining story slows other sectors expanding
- ▶ Education, tourism and food exports driving growth
- ▶ Positive net migration

Asia Pacific Countries Cross-Border Capital Inflow to Australia
1H/2014



Source: ABS, HSBC estimates, Real Capital Analytics

Australian direct property investment landscape



Metro office market



- Limited stock affecting investment activity
- Vacancy rates slowly declining
- Increased institutional interest
- Rental growth returning in Melbourne

Industrial market



- Strong demand for logistics space
- Speculative space being developed by large institutions
- Double digit returns for the last 10 quarters
- Investment in road and rail boosting industrial markets

Retail market



- Weaker AUD benefitting local retailers
- Tenant enquiry picking up but still patchy
- Rents have stabilised but incentives remain
- Lack of supply in the investment market

**Weight of capital seeking prime quality stock
Increased demand leading to tightening in yields**

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Australia Property Fund



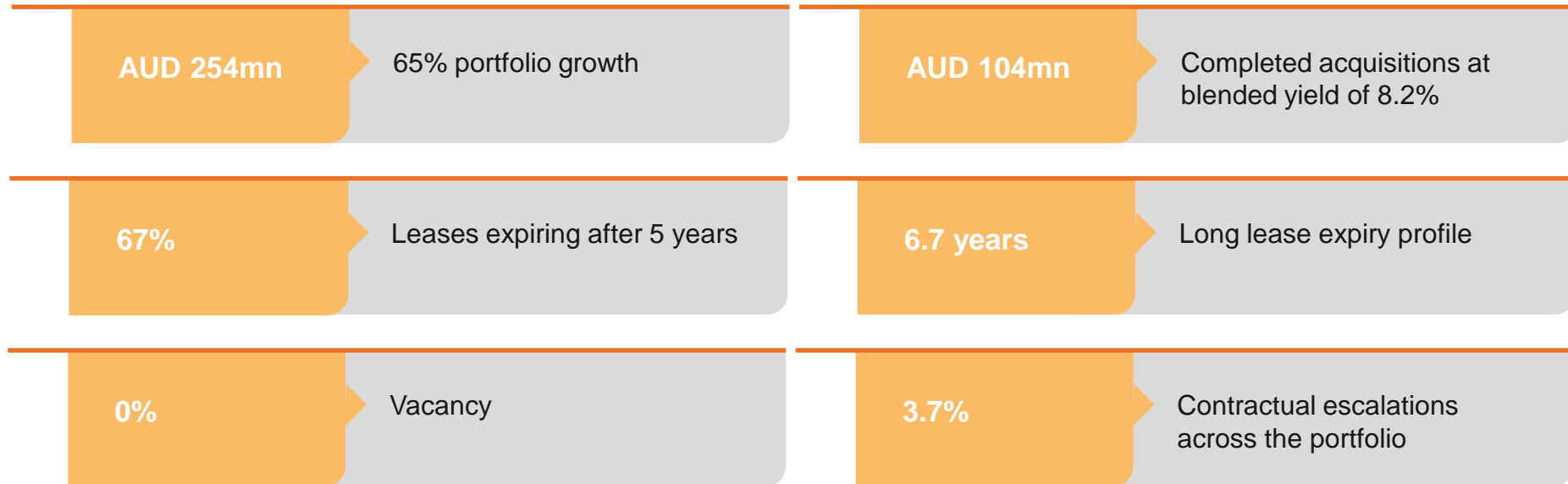
Property Information



Quality portfolio



Core portfolio underpinned by strong property fundamentals



Portfolio map



(1) 44 Sawmill Circuit



(2) 47 Sawmill Circuit



(3) 57 Sawmill Circuit



(4) 24 Sawmill Circuit



(5) 2-8 Mirage Road



(6) 48 Hawkins Crescent

Industrial
AUD 49.1mn

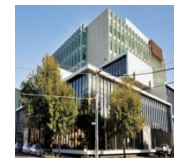


(11) 757 Ann Street



(12) 30-48 Kellar Street

Acquisitions since period end
AUD 73.7mn



(7) 35-49 Elizabeth Street



(8) 449 Punt Road

Office
AUD 131.2mn















(9) 2404 Logan Road



(10) 186 Reed Street

Portfolio details



Property	Location	Area (sqm)	Book value (AUD'mn)	Value per sqm (AUD)	Cap rate	Escalations	WALE	Major tenant
Industrial Portfolio								
48 Hawkins Crescent	Brisbane	2,045	3.56	1,741	8.0%	3.5%	4.9	
47 Sawmill Circuit	Canberra	5,535	9.60	1,734	7.5%	4.0%	11.8	
57 Sawmill Circuit	Canberra	7,079	8.75	1,236	8.0%	4.0%	3.8	
24 Sawmill Circuit	Canberra	6,300	9.00	1,429	8.0%	3.8%	5.1	
44 Sawmill Circuit	Canberra	4,639	9.10	1,962	9.0%	3.8%	7.9	
2-8 Mirage Road	Adelaide	6,783	9.10	1,342	9.0%	3.5%	7.9	
30 - 48 Kellar Street	Brisbane	4,070	8.20	2,015	8.3%*	3.2%	5.1	
Office Portfolio								
449 Punt Road	Melbourne	6,384	29.80	4,668	8.8%	3.8%	4.9	
35-49 Elizabeth Street	Melbourne	11,917	54.50	4,573	8.5%	3.7%	5.9	
2404 Logan Road	Brisbane	3,568	20.95	5,873	8.3%*	3.0%	5.6	
186 Reed Street	Canberra	5,403	25.93	4,798	7.8%*	3.5%	8.3	
757 Ann Street	Brisbane	9,125	65.50	7,123	8.3%*	3.0%	7.6	
Total		72,847	253.99	3,480	8.3%	3.7%	6.7	

* Acquisition yield

Completed acquisitions (during the period)



186 Reed Street, Greenway

Tenant | Department of Human
Services



Location	186 Reed Street, Greenway ACT
Area (m ²)	5,403
WALE (by income)	8.3 years
Purchase price (AUD'000)	25,805
Purchase yield	7.8%
Escalations	3.5%



Completed acquisitions (post period end)



757 Ann Street, Fortitude Valley

Major tenants | Ventyx,
Corporate House, SIP
Australia



Location	757 Ann Street, Fortitude Valley QLD
Area (m ²)	9,125
WALE (by income)	7.6 years
Purchase price (AUD'000)	65,500 (excl. 4m contingent payment)
Purchase yield	8.3% (7.9% incl. contingent payment)
Escalations	3% (Office); CPI + 1% (Retail)



Completed acquisitions (post period end)



30-48 Kellar Street,
Berrinba

Tenant | HJ Langdon & Co



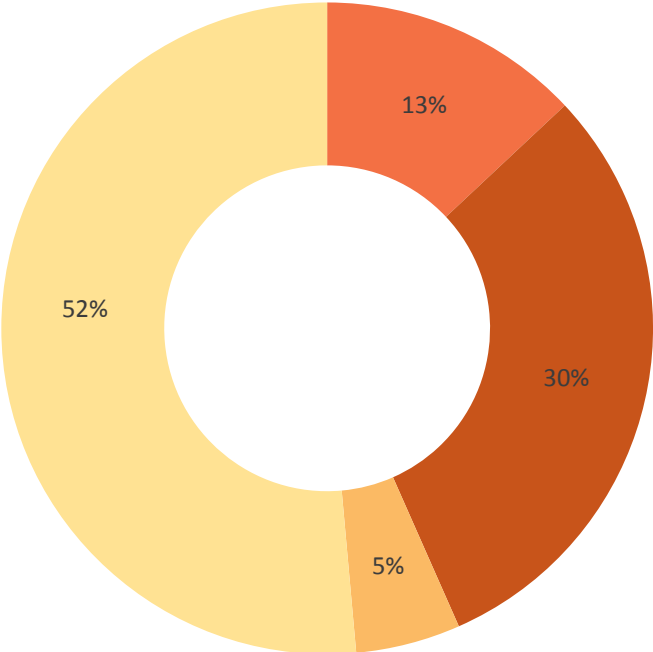
Location	30-48 Kellar St, Berrinba QLD
Area (m ²)	4,070
WALE (by income)	5.1 years
Purchase price (AUD'000)	8,200
Purchase yield	8.3%
Escalations	3.2%



Geographic spread (at period end)

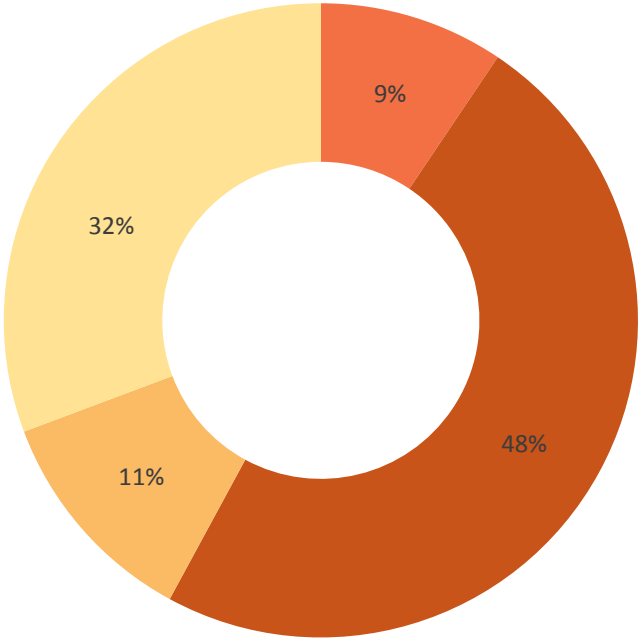


By revenue



■ QLD ■ ACT ■ SA ■ VIC

By GLA

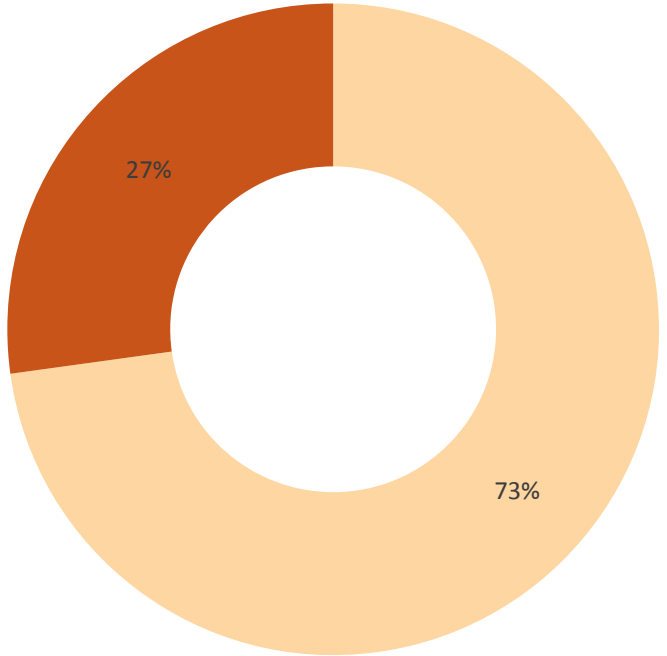


■ QLD ■ ACT ■ SA ■ VIC

Sectoral spread (at period end)

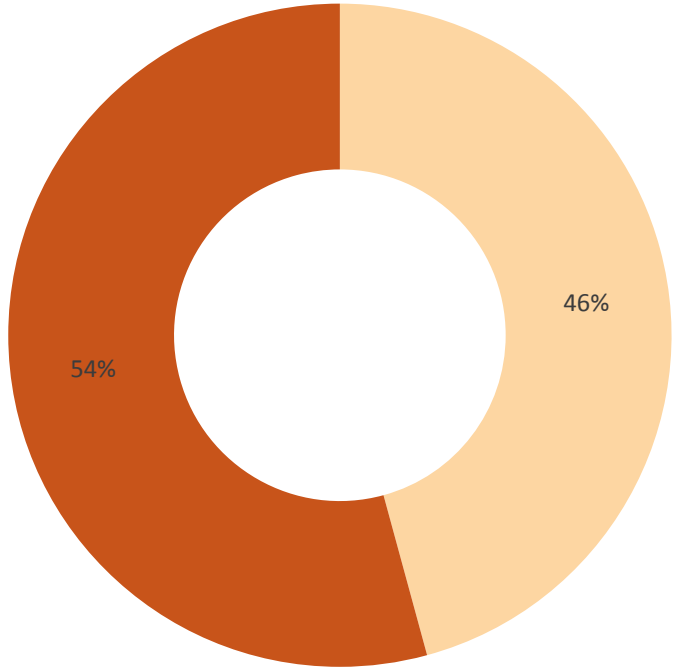


By revenue



Office Industrial

By GLA

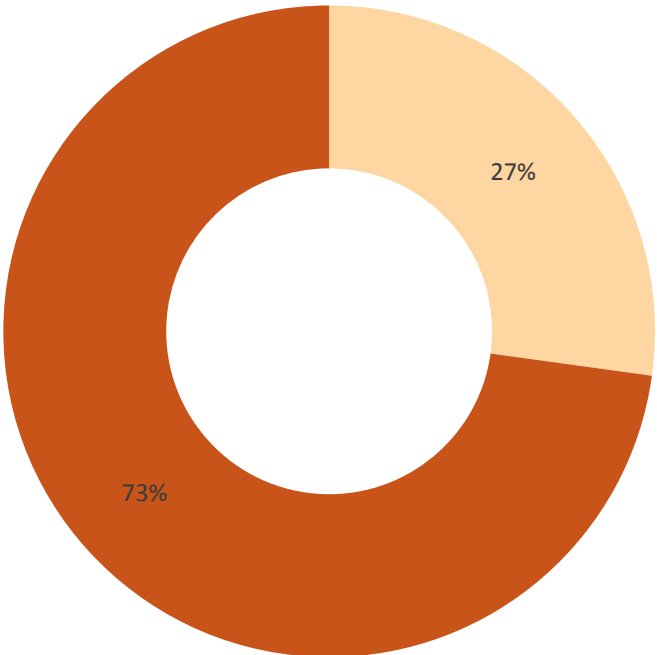


Office Industrial

Tenant profile (at period end)

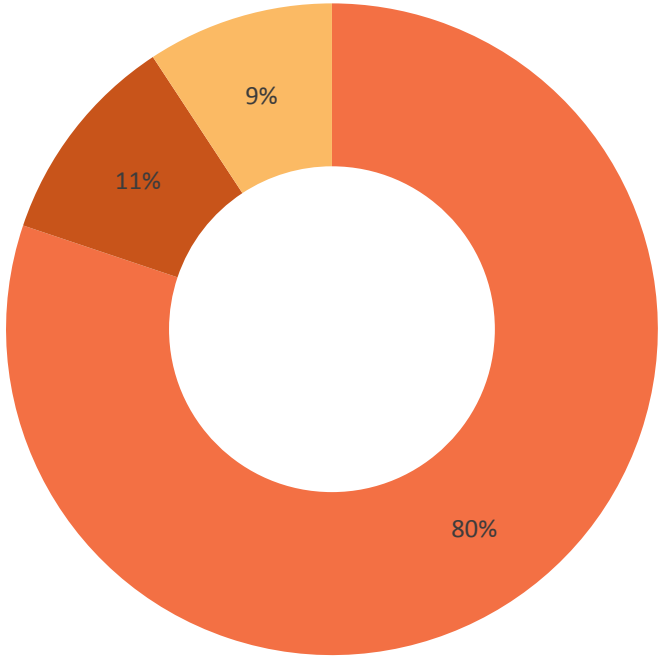


Single vs. multi-tenanted by revenue



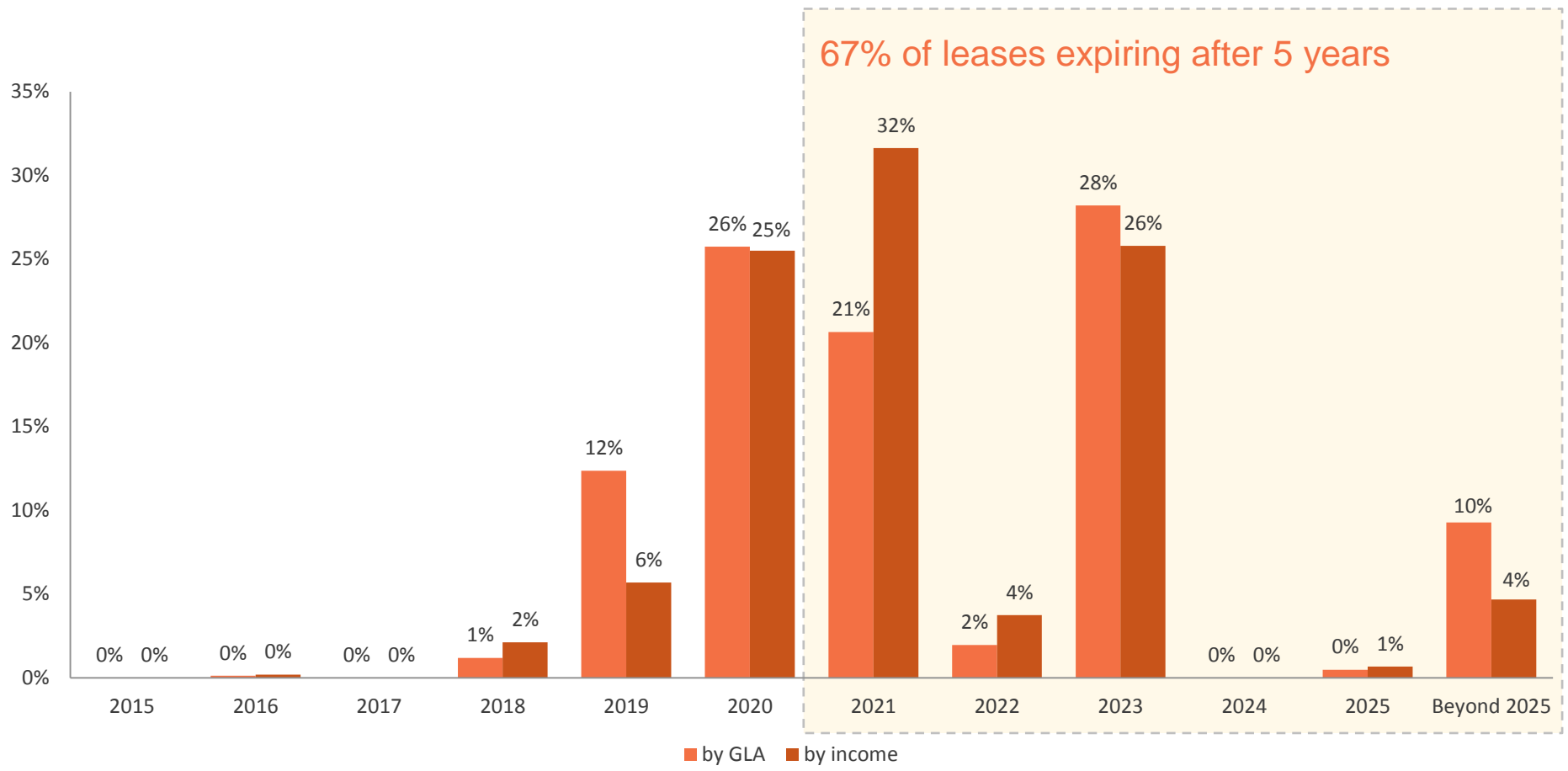
Single Multi

Tenant rating by revenue



A B C

Lease expiry profile (at period end)



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Financial Review



Simplified income statement



	Reviewed six months ended 30 September 2014	Audited period from 12 December 2012 to 31 March 2014	Annualised growth
	\$A'000	\$A'000	
Net property income	8,276	9,682	
Fair value adjustments - investment property	(2,123)	(18)	
Other operating expenses	(494)	(502)	
Asset management fee	(610)	(439)	
Net finance costs	(1,366)	(1,230)	
Profit for the period	3,684	7,493	
Distribution per unit (pre withholding tax) (cents)	4.03	3.42	6.7%
Distribution per unit (post withholding tax) (cents)	3.92*	3.20	10.9%

* Includes impact of antecedent distribution

Distribution reconciliation



	Reviewed six months ended 30 September 2014	Audited period from 12 December 2012 to 31 March 2014	Annualised growth
	\$A'000	\$A'000	
Profit for the period	3,684	7,493	
Less: Straight-line rental revenue adjustment	(783)	(1,051)	
Add: Fair value adjustments – investment property	2,123	18	
Add: Fair value adjustments – interest rate swaps	401	-	
Distributable earnings	5,425	6,460	
Less: Pre listing distribution	-	(1,858)	
Final distribution for the period (pre withholding tax)	5,425	4,602	
Withholding tax (to be paid to the Australian Taxation Office)	(275)	(290)	
Final distribution for the period (post withholding tax)	5,150	4,312	
Units in issue ('000)	134,685	134,685	
Distribution per unit (pre withholding tax) (cents)	4.03	3.42	6.7%
Distribution per unit (post withholding tax) (cents)	3.92*	3.20	10.9%

* Includes impact of antecedent distribution

Balance sheet



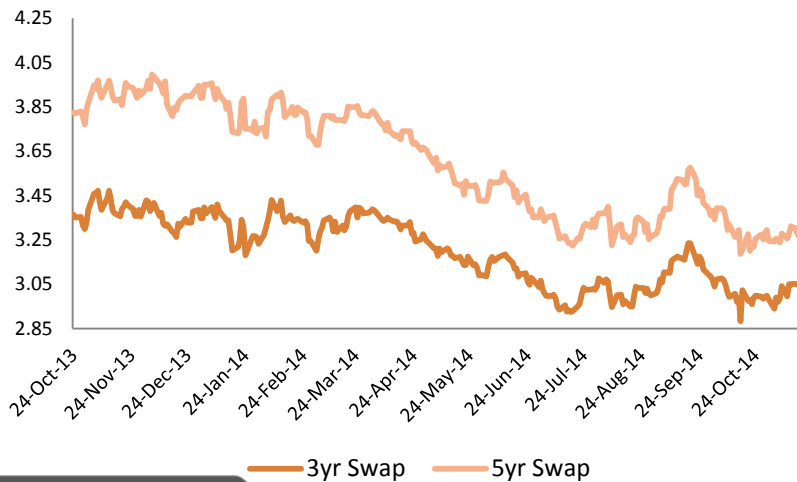
	Reviewed as at 30 September 2014	Audited as at 31 March 2014
	\$A'000	\$A'000
Assets		
Investment property	180,289	154,364
Cash and cash equivalents	2,415	6,370
Other assets	981	304
Total assets	183,685	161,038
Equity and liabilities		
Unitholders interests	130,317	132,058
Borrowings	44,095	22,185
Other liabilities	9,273	6,795
Total equity and liabilities	183,685	161,038

Debt management

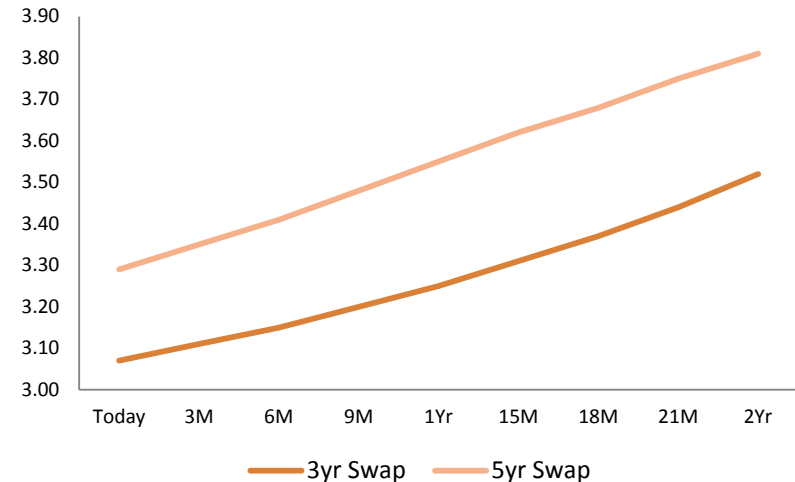


- ▶ Current gearing of 0% – capacity of up to AUD 160mn @ 40% gearing
- ▶ Westpac facility renegotiated – increased term and reduced pricing (5 years, BBSW + 150 bps)
- ▶ AUD 48mn interest rate swaps @ 3.2% (all in COF of 4.7%)
- ▶ Australian interest rates expected to remain low
- ▶ Considering forward starting swaps based on flat curve – dependent on pipeline

3yr vs. 5yr swap rate curves since listing



3yr vs. 5yr forward starting swap rate curves



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FOUR



Conclusion



Conclusion

- ▶ Strength of the core portfolio positions the Fund to deliver growth
- ▶ Focus on real estate fundamentals
- ▶ Continue to utilise Investec network
- ▶ Take advantage of low interest rate environment by locking in “positive spread”
- ▶ Acquisition capacity of AUD 160mn – headroom for growth

Prospects

- ▶ Recent capital raising provided platform for growth
- ▶ The growth for H1 not expected to be repeated for H2 due to the impact of the rights offer
- ▶ The extent of the growth in H2 will be determined by the timing of the deployment of the debt capacity into the pipeline



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Thank you



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