MEDIA RELEASE

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Investec Property Fund delivers sector best like-for-like net property income growth of 9.1%

Half Year Results to 30 September 2016

Highlights

- The R17.3 billion investment portfolio's performance is underpinned by the investment philosophy of asset quality and margin enhancement through disciplined asset management
- Interim dividend of 60.91 cents per share (cps) – 2.2% growth exceeded guidance and market consensus despite the known dilutionary impact of the Zenprop acquisition undertaken in 2016
- Operating margin improved to 84.3% as a result of a decrease in the net cost to income ratio to 15.7% (Sep 2015: 17.9%) – focused letting and utility and cost management
- Low portfolio vacancy of 1.5% - remains one of the lowest in the sector

Investec Property Fund ("IPF" or the "Fund") delivers solid growth during period of consolidation of the R8 billion acquisition of Zenprop and Griffin properties in 2015. IPF announced an interim dividend of 60.91 cents per share for the period ended 30 September 2016. The growth of 2.2%, which outperformed market guidance, was achieved despite considerable global market volatility and lower than expected economic growth in South Africa. This dividend growth is also admirable given the dilutionary impact of the Zenprop transaction (short term dilution for long term value) where the larger impact is seen in the first half of FY2017.

The results reflect the Fund's hands-on asset management approach which has seen the base portfolio deliver 9.1% net property income growth year over year. The impressive performance of the base portfolio again demonstrates the quality and robust nature of the Fund's properties and earnings, especially given the continued low vacancy rate of 1.5% (March 2016: 1.1%). This remains one of the lowest in the sector and the letting performance is testament to the quality of the property portfolio and the desirability of the product and service offered to existing clients and the occupier market.

Commenting on the performance of the Fund, Investec Property Fund's CEO Nick Riley said:

"The positive growth of the Fund is exceptionally pleasing especially during a period in which our focus was on consolidating the Zenprop and Griffin acquisitions into our management and reporting platforms. We continue to unlock value by ensuring our property portfolios are run with maximum efficiency, and active asset management, ensuring a quality service is delivered to our clients. This internal focus has also resulted in a further improvement in our operating margin to 84.3%, which is attributable to the gross increase of our rentals above inflation at 7.2% and disciplined utility and cost management."

The defensive portfolio continues to deliver consistent growth thanks to the portfolio's underlying property fundamentals. The portfolio's income stream is underpinned by contractual escalations of 7.8% and a strong tenant base which saw the portfolio bucking negative trends seen by the rest of the industry, with vacancies across the office, industrial and retail portfolios all significantly below the IPD sector performance. The Fund let or renewed 87% of space that expired or was cancelled (120 485 m2) in the period leaving only 38 339 m2 of rentable area to be let for the remainder of the year.

The Fund remains opportunistic in its acquisition approach and is constantly evaluating local and international opportunities. All investment decisions are driven first and foremost by property fundamentals, followed by capital structure and other macro and foreign exchange factors.

"After such a transformative year it was only prudent for management to focus on bedding down the acquisitions that effectively doubled the Fund's size. However, we always remain on the lookout for attractive opportunities as we still have the headroom and remain nimble enough to pursue such opportunities. Asset pricing and sellers expectations need to be reflective of the uncertainty in the micro and macro environment, and take cognisance of the global shift to a potential increasing inflationary and interest rate environment. We will continue to remain true to our property fundamentals philosophy and each opportunity will be assessed primarily on this criteria" said Riley.

All else being equal, the Fund expects the growth in dividend per share for the full year to 31 March 2017 to be similar to growth reported in the interim period, further outperforming market expectations.