

MEDIA RELEASE

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Strategic repositioning of Investec Property Fund supported by strong underlying operational performance

Strong operational performance in South Africa and Europe

Highlights

- Completed three significant strategic transactions which are long-term, value accretive and set the Fund on a clear growth path:
 - Shareholder approval and support obtained for the internalisation of the asset management business
 - Additional investment into the European PEL platform
 - A 50/50 JV with Irongate Australia Fund Management
- Very strong operational results from South Africa and Europe
- Distributable earnings in line with guidance - impacted by the global interest rate environment
- 95% dividend payout ratio maintained
- Balance sheet remains healthy, with a defined plan to decrease LTV

Investec Property Fund, (“**IPF**”, or “**the Fund**”) today announced results in line with guidance for the 12 months ended 31 March 2023. The period was characterised by the strategic repositioning of the business, a strong operational performance from the underlying portfolios, and a volatile economic and interest rate environment globally.

As per guidance, the adverse global interest rate environment inevitably impacted the Fund’s overall performance. Distributable earnings (DIPS) and dividend per share (DPS) declined by 2.8% to 104.64cps (Mar-22: 107.61cps) and 99.41cps (Mar-22:102.23cps) respectively. Despite the prevailing macro-economic headwinds, the South Africa and Europe portfolios recorded strong operational performances.

The South Africa portfolio continued its positive trajectory generating strong like-for-like net property income (NPI) growth (+5.3%) and significant letting activity – with approximately 90% of expiring space re-let – as well as the noteworthy achievement of 7.4% vacancy in the office sector*. Management’s ongoing focus on the client experience and reducing the cost of

occupation contributed significantly to offsetting the impact of the challenging operating environment.

In Europe, the underlying fundamentals continue to support the PEL portfolio with demand still outstripping supply. The PEL platform delivered strong rental growth driven by the ability to capture positive estimated rental value (ERV), resulting in an increase in like-for-like NPI of 7.4%.

The implementation of strategic initiatives saw the loan to value (LTV) increase temporarily to 42%. Defined plans, however, are in place to reduce the LTV to below 40% in the short-term. Overall, the balance sheet remains sound supported by pro-active capital and interest rate management. The stability of the portfolios and a healthy balance sheet enabled the business to maintain a dividend payout ratio of 95%. The Board declared a final dividend of 48.32cps for the six months ended 31 March 2023, bringing the dividend for the full year to 99.41cps (Mar-22: 102.23cps).

Commenting on the Fund's performance, CEO, Andrew Wooler said: *"We are extremely pleased with the Fund's performance over the past twelve months. Despite the heightened macro-economic unpredictability, the operational metrics in the underlying portfolios remain healthy and we are excited about the strategic steps we have taken to position IPF for growth."*

Commenting on the South Africa portfolio, Head of South Africa, Graham Hutchinson said: *"Despite the subdued economic backdrop, the South Africa portfolio experienced a reduction in vacancy rates and strong letting across the portfolio. This year's performance is attributed to our proactive approach as well as providing an exceptional client experience, and implementation of value-add initiatives. Reducing the cost of occupation remains a key focus through the continued rollout of ESG strategies, ultimately enhancing future returns."*

Commenting on PEL's performance, Head of Europe, Paul Rodger said: *"The Eurozone was impacted by the energy crisis and ongoing supply chain pressure as a consequence of the war in Ukraine. That said, to date, the logistics sector has proved resilient, with supply heavily constrained and demand remaining strong. The PEL platform is underpinned by a strong, defensive portfolio that has capitalised on these sector dynamics, capturing 8.6% positive growth on new leases and an increase in occupancy to over 99%. The platform remains well placed to deliver strong income returns as we continue to capture rental growth. Additionally, the quality of earnings will be further enhanced through cost savings initiatives at platform level."*

Strategic repositioning

The period under review saw IPF commit to a deliberate and simplified focus on quality South African and Pan-European logistics (PEL or PEL Platform) strategies, and strong balance sheet management.

IPF completed three significant strategic transactions which are long-term, value accretive and sets the Fund on a clear path for future growth. Transaction activity included increasing the Fund's interest in the PEL platform to 83.2% (Mar-22: 64.2%) - increasing the Fund's exposure to an attractive offshore logistics portfolio - and entering into a 50/50 joint venture with Australian funds management business, Irongate.

Well known to the Fund, Irongate has a capable management team with a strong track record and fund management business as a whole. This provides an opportunity for the Fund to expand its capital light funds management strategy and grow its revenue base.

Furthermore, at a General Meeting held on 17 May, shareholders approved the internalisation of IPF's asset management function in support of the Fund's ambition to build an international real estate fund and asset management company.

Commenting on the positive outcome of the General Meeting, Wooler said: *"We are delighted with the overwhelming shareholder support in favour of the internalisation of the management business in both South Africa and Europe. This is a central tenet of our growth strategy as we transition towards becoming an international real estate fund and asset management business built on the foundations of great people and fundamental real estate."*

"As a fully integrated international real estate company, with a best-in-class asset management team with proven track records, we will now be even more strongly aligned with the interest of the Fund's shareholders and capital partners, as we continue unlocking exciting opportunities and creating long-term value," added Wooler.

Outlook

As a dynamic international property company, with a clear strategic focus on creating long term sustainable value, IPF is well positioned to capture strategically aligned opportunities. However, while the South African portfolio has stabilized and is performing to expectations, it is expected to deliver low growth that is reflective of the operating environment. Conversely, given the continued tailwinds supporting the logistics sector in Europe, growth in contracted rent is expected to continue within the PEL platform, as the management team actively works to capture ERV growth.

"The 2024 financial year will mark the evolution of the Fund from a property investment business into an international real estate fund and asset management company. While the longer-term focus will be on the roll out of a capital light fund management model and exploring development pipeline opportunities in Europe, the immediate focus will be on maintaining the stability of the current portfolio and enhancing the quality of recurring earnings," concluded Wooler.

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Notes to the Editor:

Investec Property Fund Investment Strategy:

All investment decisions are underpinned by underlying real estate fundamentals. The Fund seeks to optimise capital allocation across local and offshore opportunities pursuing primarily core and core plus investment strategies, with the fund management strategy providing enhanced returns and optionality going forward. Offshore exposure constitutes 56% of GAV under management and is likely to increase over time with the Fund's growth ambitions.

In South Africa, the Fund pursues a predominantly core investment strategy with focus on quality income-producing assets in traditional asset classes:

- Retail – niche assets or those that are the dominant offering within their respective locations
- Office – multi-tenanted low-rise buildings, with ability to be well amenitised
- Industrial – good-quality functional space in established nodes with consistent / stable demand

In Europe, the PEL portfolio targets midsize and big-box logistics facilities in core Western European markets where it adopts a core-plus or value-add investment strategy to unlock value from both income-producing assets and development opportunities.

In Australia, the Fund has established a 50/50 joint venture with the management team of the Irongate Australia Fund Management Platform, which has c.A\$450m equity under management with an estimated current realisable asset value of A\$2.8bn. In addition, IPF has a direct equity interest of A\$26m (i.e. c.18.7%) in the Templewater Australia Property Fund. The platform provides the Fund an attractive entry point into the Australian market with potential to further scale its funds under management strategy.

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About Investec Property Fund

Investec Property Fund Limited Investec Property Fund Limited is a South African Real Estate Investment Trust, having listed on the JSE Limited (JSE) in 2011 and obtaining REIT status on 1 April 2013. IPF's investment portfolio is currently comprised of R23.5 billion of direct and indirect real estate investments located across South Africa and Europe. In South Africa, the Fund directly owns a sizeable and diversified portfolio of 79 properties in the retail, industrial and office sectors valued at R14.6 billion. About 56% of the Fund's asset base is comprised of foreign investments, largely an effective 83% interest in a Pan-European logistics portfolio (c. €1.1 billion asset value). This portfolio consists of 47 logistics properties that are located in the major logistics corridors of 7 European countries, including the core countries of Germany, France and Netherlands, which together comprise c.70% of the portfolio. This provides the Fund with geographic diversification and exposure to quality real estate in the developed markets of Western Europe.

In both regions, the manager has a presence on-the-ground with in-country expertise and therefore adopts a hands-on approach to managing the properties. The Fund has recently entered the Australian market through its c.18.7% investment in the Templewater Australia

Property Fund and its 50/50 JV with Irongate Australia Fund Management. These initiatives provide the Fund with an exciting opportunity to further scale its funds under management strategy.

The objective of the Fund is to optimise capital and income returns over time for shareholders by investing in best of breed income-producing properties in the office, industrial and retail sectors in South Africa and in big-box logistics properties in Western Europe. Effectively, all rental income, less operating costs and interest on debt, is distributed to shareholders semi-annually. For more about Investec Property Fund please visit: www.investecpropertyfund.com

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