OUT OF THE ORDINARY

Investec
Property Fund

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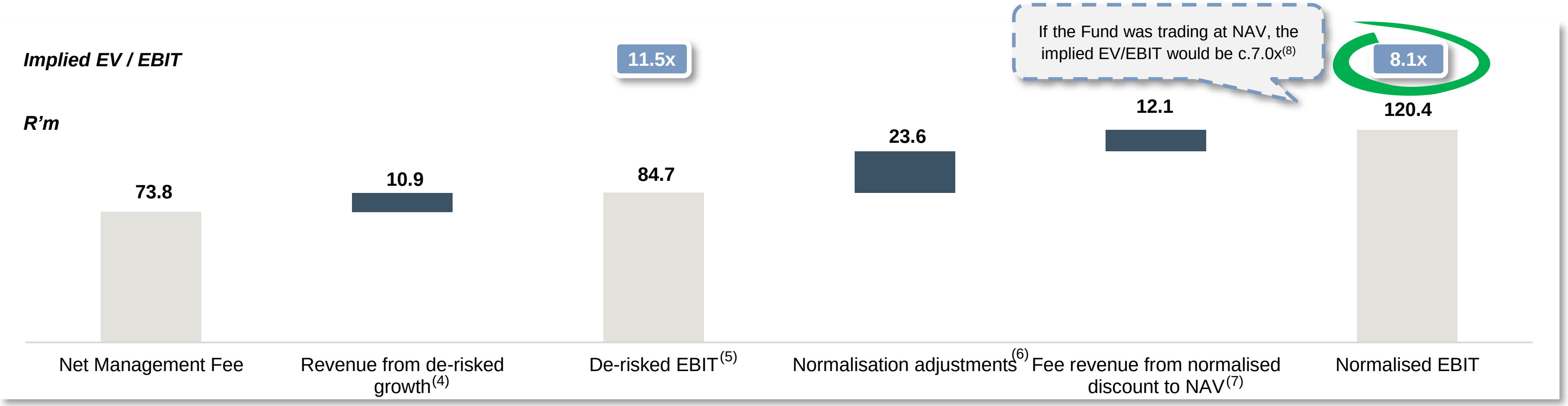
PROPOSED ASSET MANAGEMENT INTERNALISATION

March 2023

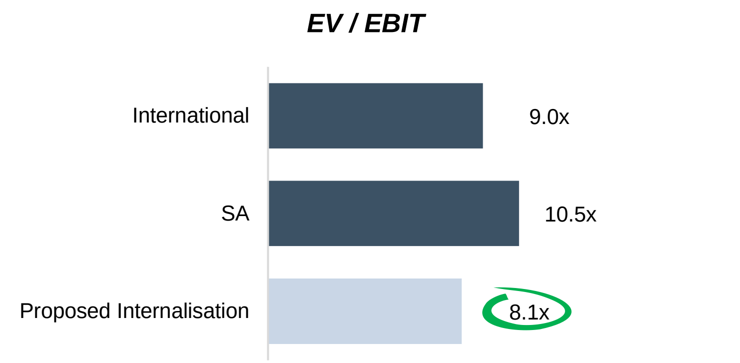
EBIT Bridge and Average Valuation Metrics

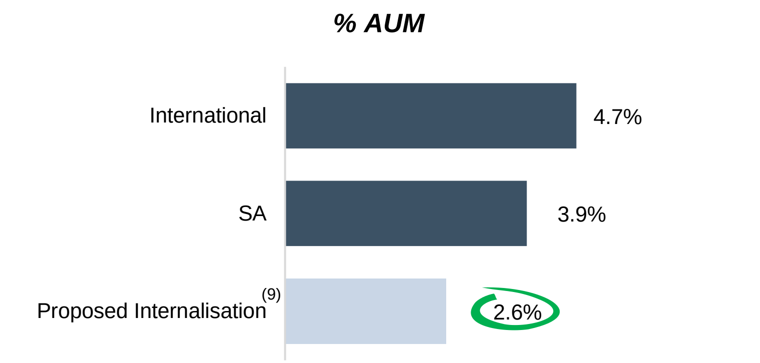
Normalised EBIT Reconciliation

R'm	
Gross Management Fees[1]	219.3
IP Management Fee[2]	10.3
Letting Commission	9.0
Net Revenue	**238.6**
Overheads and people cost[3]	(164.8)
Net Management Fee	**73.8**

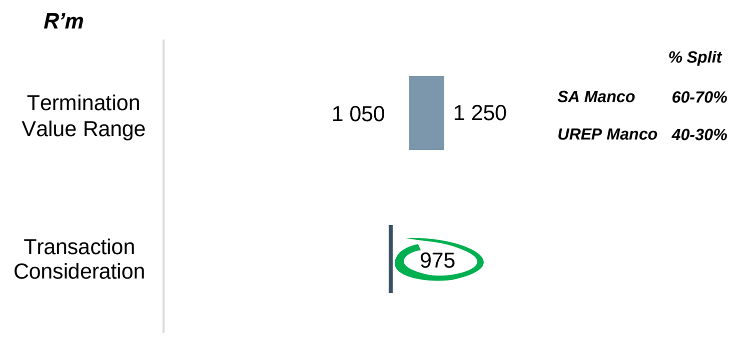


Precedent Transaction Multiples





Termination Value



1. Assumes SA EV based on R9 per share (c.48% discount to NAV) and an EU management fee based off current valuation of c.€1.1bn.
2. Fee earned on managing Investec Property (IP) assets.
3. Historical cost base for FY23 c.151m.
4. Revenue earned from growth / transaction fees.
5. As per the EBIT used in the calculation of earnings accretion.
6. Normalised letting commission and growth / transaction fees. Average letting commission over last 6 years amounted to c.R25m p.a., while average growth / transaction fees amounted to c.R18m p.a. over the last 8 years, excluding 3rd party transaction fees.
7. c.R12.5 / share normalised price, implying a c.28% discount to NAV. Since listing IPF has traded at a c.7.4% discount to NAV.
8. This reflects a change in revenue of c.R20m (i.e. difference between c.R12.5 and c.R17.4 / share multiplied by c.805m shares multiplied by 50 basis points).
9. AUM: SA = c.R15bn + EU at c.€1.1bn = c.R35bn.

Addressing Key Question Raised by Stakeholders

	Question	Response
1	▪ *What is the rationale behind the timing of the Manco Internalisation?*	▪ IPF had the opportunity to exit its PEL shareholder and form a JV with Irongate, which combined with the Manco Internalisation, creates a very strong management team, with complementary skills across multiple geographies ▪ We believe the combination of the three transactions allows IPF to pursue its forward-looking strategy by: 1. Increasing and reintroducing exposure to Europe and Australia, respectively, which increases our international footprint and provides attractive growth opportunities; 2. Allowing IPF the freedom to pursue it's European growth strategy independent of its PEL JV partner; 3. Enabling the retention and incentivisation of strong management teams across multiple geographies; 4. Ensuring the alignment between the management team and shareholders; 5. Removing the inherent challenges of an external management company to attracting 3rd party capital; and 6. Introducing the ability to launch a Funds Management / Capital Light strategy across our various platforms
2	▪ *How confident is IPF of its ability to de-gear the balance sheet, particularly the R1.9bn of assets earmarked for immediate disposal?*	▪ The management team has a strong track record in delivering on a reduction in LTV, as evidenced during the height of COVID. The flight path is already well-progressed, with R1.6bn of the R1.9bn of assets earmarked for disposal already fully de-risked. This includes: ▪ R1.1bn sale of the bridge loan into PEL, the final condition is expected to be met within a week; and ▪ R0.3bn of proceeds from the sale of a Dutch asset (contracts were exchanged during the week commencing 6 March with no conditions prior to closing). ▪ In addition, the fund is well progressed on the disposal of SA assets for c.R0.3bn, with a further R0.3bn being marketed
3	▪ *How are the three transactions being funded?*	▪ The immediate cash requirement of c.R2.5bn (PEL c.R1.7bn, R0.26bn upfront cash consideration and c.R0.4bn Australia) will be funded through the sale of the bridge loan, PEL property (Dutch asset) and the two (2) South Africa office assets, with the remaining consideration being funded from existing debt facilities
4	▪ *Elaborate on the funds management strategy going forward?*	▪ This creates new sources of capital which will grow the business and provide IPF with access to capital to take advantage of market opportunities ▪ The funds management strategy leverages our people and their capabilities, not just our balance sheet ▪ Enabling us to further diversify our investments to take advantage of market dislocation and opportunities ▪ There are international examples of REITs with fund management businesses (Irongate, Prologis, Charter Hall, Mirvac, Goodman Group, Growthpoint and ESR REIT) ▪ Furthermore, this facilitates the introduction of additional revenue streams: ▪ Additional management fees; ▪ Performance fees / Carry; and ▪ Development fees

Addressing Key Question Raised by Stakeholders (cont'd)

5	▪ *What is Investec's intentions vis-à-vis its equity stake in IPF?*	▪ Investec has agreed to a 12-month equity lock up of up to 20% of its stake in IPF ▪ The deal has been structured, via the deferred payment, ROFO and continued board representation, such that there is continued alignment between Investec and IPF
6	▪ *How does the Purchase Consideration compare to the termination value of the management contracts?*	▪ IPF would have to pay a termination value of c.R1.05 – 1.25bn to early terminate the Asset Management Agreements (AMA) in South Africa and Europe ▪ The consideration of R975m represents a discount of c.10 – 25% to the termination value

7	▪ *Why didn't IPF wait until the AMA expired and then hired a new management team?*	▪ The board considered the option of waiting for the SA and European management contracts to expire
		▪ However, this was considered impractical given the challenges and operational risk of hiring a new management team of this size across multiple jurisdictions and sectors
		▪ Not only would the new management team be unfamiliar with the assets, the clients and IPF but they would also be unlikely to have as good and relevant a track record as the existing IPF team
		▪ For context, the internalisation ensures the retention of the team that has been responsible for the growth of:
		    ▪ IPF (from R1.7bn to c.R22bn today),
		    ▪ PEL (from zero to €1.1bn),
		    ▪ PELI (from zero to c. €250m and successfully sold to Blackstone);
		    ▪ and Hansteen (where the European business was built to c.€2.5bn and successfully sold to Logicor)
		▪ Additionally, the internalisation was key to attracting back into the fold the Irongate team, led by Graeme Katz, that founded that business growing it to c.A$1.6bn and delivered an exceptional total return to shareholders
		▪ Furthermore, by agreeing an acquisition of the SA Manco and UREP Manco with Investec, IPF was able to structure the transaction optimally for IPF (via the deferred consideration and the sale of certain office assets) and secure beneficial terms which ensure continued support from Investec (via the Investec Property right of first offer and the equity lock-up)
		▪ These would not have been possible had the SA Manco contract and UREP Manco contract been terminated or had IPF attempted to hire new management teams following the expiry of the SA Manco contract and/or UREP Manco contract
		    ▪ In the case of the latter, this would have been further complicated by the different expiry dates of the two management contracts, with the SA Manco contract expiring in two years and the UREP Manco contract expiring in seven years

Addressing Key Question Raised by Stakeholders (cont'd)

8	▪ *Are the cost savings from the Manco Internalisation achievable and sustainable?*	▪ Yes, we are confident in IPF's ability to retain the cost savings and benefit from the operational leverage from internalising the management companies. Notably: ▪ IPF performed a full due diligence on the cost base of the SA Manco and UREP. This included all services which Investec would no longer be performing ▪ The combined cost base of c.R165m compares to the current cost base of c.R151m and has headroom for additional costs as IPF brings certain operational costs in-house ▪ Specifically, IPF has allowed for the retention of key management ▪ Furthermore, costs incurred to establish new systems will be borne by Investec
9	▪ *How did IPF approach the valuation of the management companies?*	▪ For purposes of considering the Proposed Internalisation Transaction, the IPF board established an independent board ▪ When negotiating the headline price of R975m, the independent board considered a number of different factors, supported by BofA, its advisors. Most notably, the independent board considered: ▪ The future cash flows of the management companies; ▪ The impact on earnings accretion; ▪ The impact on LTV; ▪ Precedent transactions, focusing on the EV/EBIT multiples and Consideration/AUM; and ▪ Termination value of the contracts ▪ The independent board also took comfort from the findings of the Independent Expert, BDO, who found the internalisation of the management company to be fair to shareholders in their preliminary opinion ▪ Please see page 2 which provides further detail on the normalised EBIT of the management companies, setting out the underlying assumptions used in arriving at an implied EV/EBIT multiple of 8.1x for this transaction. ▪ Importantly, the EBIT takes into account the gross fees saved and the costs to be absorbed ▪ Page 2 also highlights how the proposed transaction compares favourably to precedent transactions as well as the Termination value of the contracts
10	▪ *Please provide more detail on the internalisation process, specifically:* *i. What is being acquired?* *ii. How does the Management Company reflect on the balance sheet?* *iii. Is there a limitation on Investec Property's ability to compete in the property fund management and asset management space?*	i. The following is being acquired out of IP: ▪ In South Africa, IPF is only acquiring the asset management platform from IP comprising highly rated management teams and other resources that make up the asset management function ▪ In Europe, IPF is acquiring the full UREP business and team from IP. Post the Proposed Manco Internalisation, IP will remain a wholly-owned subsidiary of Investec and will continue to hold it's property assets ▪ The transaction excludes the development team and assets of IP ii. Consideration will be recognised in terms of IFRS 3: ▪ Recognition on balance sheet, which will see the majority of the purchase consideration recognised as an asset on day 1 and amortised over time iii. Yes, a non-compete has been agreed with Investec for a period of up to 2 years

Addressing Key Question Raised by Stakeholders (cont'd)

	Question	Response
11	▪ *Why did IPF introduce a deferred element to the consideration payable?*	▪ The deferred element of the Proposed Internalisation Transaction consideration allows shareholders to benefit from the immediate earnings accretion and allows management to continue to grow the revenues from both the expanded asset base and the capital light, funds management strategy, ensuring IPF is well positioned to settle the deferred consideration when it comes due
12	▪ *How is the earning accretion impacted by the deferred consideration?*	▪ The Proposed Internalisation Transaction on a standalone basis is expected to deliver c.4 - 5% accretion ▪ Without the impact of the deferred consideration, the Proposed Internalisation Transaction would still be c.2 - 3% accretive to earnings, noting that this is being calculated during a period where IPF's share price and discount to NAV are near historic lows and highs, respectively ▪ As such, the level of accretion could be significantly higher were IPF to trade closer to NAV
13	▪ *Who motivated for the internalisation of the management companies?*	▪ This was motivated by IPF given the opportune timing of the PEL and Irongate transactions, together with how important this is to unlock the forward-looking strategy
14	▪ *How did you get comfort on the price of the PEL acquisition given the recent reduction in valuation?*	▪ The Fund's decision to increase its exposure to PEL and the price paid is premised on (i) the strong underlying fundamentals of the sector and (ii) the opportunity that is unlocked through increased influence over both the assets and the team within the broader European business i. We believe in the fundamentals of the PEL assets and their long term value, and the continuing operational metrics further support this view ▪ As noted in our trading update on 1 March, the portfolio continues to trade exceptionally well, with rental growth accelerating and costs now well contained ii. The timing of the Proposed Internalisation Transaction and the acquisition of the HHH stake ensures that IPF has the autonomy to drive its European strategy in a direction that we believe will unlock shareholder value over the medium to longer term
15	▪ *What would be the financial impact of IPF having to consolidate its position in PEL?*	▪ The main financial impact would be an increase of IPF LTV to 56%
16	▪ *Given the PEL transaction was EURO funded, what happens to earnings when you rebalance back into ZAR?*	▪ No impact as the sale of equity in PEL is EU based
17	▪ *Why was PEL's write-down only 5% vs Segro's write-down of 11%?*	▪ PEL's write-down was lower due to: ▪ No UK exposure; ▪ ERV and ability to enhance rentals; and ▪ Limited / no development exposure ▪ Two external valuations were completed giving us confidence in the valuations

Addressing Key Question Raised by Stakeholders (cont'd)

18	▪ *What is the impact of the PEL acquisition on earnings?*	▪ The transaction is marginally dilutive ▪ It will be funded through debt and the disposal of the bridge loan, where the funding costs and the loss of income from the bridge loan are not fully offset by the additional PEL income accruing to IPF
19	▪ *Given the high LTV in PEL, how does IPF scale up the European business?*	▪ By executing on its funds management strategy and efficient capital recycling / sales; or ▪ Introduction of a strategic partner, which will be easier to do once the internalisation is completed and that structural impediment is removed
20	▪ *What is the rationale behind entering into a CFD arrangement with the EDT?*	▪ This was the most efficient structure for IPF to transact with the EDT, allowing for the inclusion of certain protections for the EDT and possible upside for IPF
21	▪ *Do Irongate personnel fall within IPF?*	▪ No, they will sit within the Irongate JV structure and will be partners to IPF

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