

20 October 2020

## Investec Australia Property Fund (ASX: IAP)

### Release of Explanatory Memorandum and Independent Expert's Report (and withdrawal of cautionary statements to take no action)

#### Convening of IAPF unitholder meeting

Further to the announcement made by Investec Property Limited ("**Responsible Entity**") as responsible entity for Investec Australia Property Fund ("**IAPF**") on Thursday, 15 October 2020, the Responsible Entity today announced that it will convene a meeting of unitholders in connection with the proposal to:

- internalise the management function of IAPF by creating an internally managed stapled group;
- acquire the management rights of IAPF;
- assume the management rights of an unlisted third party opportunity fund (the TAP Fund) and certain assets of the Investec Group; and
- invest in the TAP Fund via a commitment of up to \$30 million,<sup>1</sup> defined as the TAP Commitment in the Booklet,

(the "**Proposal**").

#### Notice of Meeting and Explanatory Memorandum

The Notice of Meeting and Explanatory Memorandum for the IAPF unitholder meeting, which includes an Independent Expert's Report on the Proposal ("**Booklet**"), will be released to the Australian Securities Exchange ("**ASX**") concurrently with this announcement and dispatched to unitholders today. This announcement will also be released to the Johannesburg Stock Exchange ("**JSE**") prior to the market opening in Johannesburg today. The Booklet will be available for review by unitholders using the following link: <https://www2.asx.com.au/markets/company/IAP>

The Booklet contains important information about the Proposal. Unitholders should read the Booklet before deciding how to vote on the Proposal.

#### Financial information / details of assets being acquired

As previously announced, IAPF will pay a total consideration of \$40 million<sup>2</sup> to the Investec Group to acquire the following assets (referred to as the "**Assets**" in this announcement):

- the management rights of IAPF (by purchasing the shares in Investec Australia Property Holdings Pty Limited ("**IAPH**"), the holding company of the Responsible Entity, the manager of IAPF and certain other entities that operate the business of IAPF); and
- the management rights of the TAP Fund,

(the "**Total Consideration**").

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<sup>1</sup> IAPF II is not expected to contribute a portion of the TAP Commitment until at least the end of March 2021.

<sup>2</sup> Subject to certain adjustments in the Implementation Deed as described in section 11.1 of the Booklet.

The Total Consideration represents, as at the date of this announcement, the value of the Assets including the profits attributable to the Assets.<sup>3</sup> The Total Consideration and associated transaction costs of approximately \$6.7 million will be funded utilising IAPF's existing debt facility. The progressive investment in the TAP Fund (TAP Commitment) will be funded by a new debt tranche that will be added to the existing facility agreement of IAPF. The Total Consideration represents 9.0 times the annualised forecast FY21 EBIT<sup>4</sup> of the Assets and rights to management fee income that IAPF is acquiring.

The Proposal is expected to be accretive to IAPF's cash flows through the elimination of investment management fees, property management fees and leasing fees paid to the Investec Group and the forecast contribution to earnings from managing the TAP Fund net of additional operating costs (employee costs, insurance costs, compliance costs and general administration costs). In particular, the Proposal is expected to be 0.1% accretive to Funds from operations ("FFO") and 4.8% accretive to Adjusted funds from operations ("AFFO") in FY21 on a pro forma basis.<sup>5</sup>

The aggregated pro forma forecast profit after tax attributable to the Assets that are subject of the transaction on a standalone basis are \$1.3 million (which excludes the impact of the \$6.7 million of associated transaction costs) for the twelve month period ending 31 March 2021<sup>6</sup> (refer to the breakdown in the Annexure to this announcement).

For details about the Assets, see section 3 of the Booklet. In particular, this section describes:

- the new registered managed investment scheme ("IAPF II") which has been established and will, together with IAPF, form a new internally managed stapled group which will be listed on the ASX and the JSE;
- the initial assets of IAPF II, involving a funds management platform initially focused on the TAP Fund; and
- the TAP Commitment.

For further detailed financial information in relation to the Proposal and the Assets together with details of the financial consequences of implementing the Proposal, see section 1.1(h) and section 6 of the Booklet. The basis of preparation of the financial information included in the Booklet (being the Historical Financial Information, the IAPF Group Pro Forma Historical Consolidated Balance Sheet and the Forecast Financial Information) is described in the Annexure to this announcement. Unitholders should also consider the Investigating Accountant's Report in relation to the IAPF Group Pro Forma Historical Consolidated Balance Sheet and the Forecast Financial Information prepared by KPMG Transaction Services for ASX purposes only which is included in the Booklet at Annexure A.<sup>7</sup>

Unitholders who hold their units on the South African sub-register should also consider the 'Additional JSE Disclosure' set out at Annexure B and described in the Annexure to this announcement, together with the Independent Reporting Accountant's Reports prepared by KPMG Inc for JSE purposes only, which are included in the Booklet at Annexure C.<sup>8</sup>

### **Independent Directors' recommendation and assessment**

The Independent Directors of the Responsible Entity unanimously recommend that unitholders vote in favour of the Proposal, in the absence of a superior proposal.

The Booklet contains the reasons for the Independent Directors' recommendation as well as reasons why unitholders may disagree with the Independent Directors' recommendation.

The Independent Directors' recommendation and assessment of the Proposal is provided in section 2 of the Booklet, and the matters considered include the advantages, disadvantages and risks of the Proposal, together with their assessment of the alternatives considered. The Independent Directors

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<sup>3</sup> The breakdown of the net assets of the Assets is described in the Annexure to this announcement.

<sup>4</sup> EBIT refers to earnings before interest and tax.

<sup>5</sup> See sections 6.2.4.2 and 6.2.5 and Annexure B of the Booklet for details of the basis of preparation, Table 4 in section 6.5.2 of the Booklet for details of the FFO and AFFO calculations and section 6.6 of the Booklet for the underlying assumptions.

<sup>6</sup> For further details, see section 6 and Annexures B and C of the Booklet, which were prepared in accordance with the Australian Accounting Standards, which are consistent with International Financial Reporting Standards.

<sup>7</sup> Unitholders should note the scope and limitations of the Investigating Accountant's Report.

<sup>8</sup> Unitholders should note the scope and limitations of the Independent Reporting Accountant's Reports.

have concluded that the advantages of the Proposal outweigh the disadvantages and that the alternatives considered would not provide the benefits or security for unitholders.

### Independent Expert's conclusion

As previously announced, the Independent Directors appointed Deloitte Corporate Finance Pty Limited ("**Independent Expert**") to prepare an Independent Expert's Report on the Proposal. The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, unitholders not associated with the Investec Group.

Details of the Independent Expert's opinion, and the basis for the Independent Expert's conclusions, including its valuation methodology and analysis, are set out in the Independent Expert's Report, which is included in the Booklet.

### IAPF unitholder meeting

The IAPF unitholder meeting in connection with the Proposal will be held at 5.00pm (AEDST) / 8.00am (SAT) on Tuesday, 17 November 2020 (held virtually).

The Notice of Meeting, which includes details of the meeting and how to vote, will be sent to unitholders as part of the Booklet. A proxy form will accompany the Booklet. To be effective, proxy forms must be received by 5.00pm (AEDST) / 8.00am (SAT) on Sunday, 15 November 2020. As a practical and administrative matter because this deadline falls on a weekend, unitholders should seek to return their proxy form by close of business on Friday, 13 November 2020.

### Timetable

	<b>Sydney time (unless other specified)</b>
Lodgement date	Tuesday, 20 October 2020
Dispatch of the Booklet to Unitholders	Tuesday, 20 October 2020
Voting Record Date	7.00pm (Sydney time) / 10.00am (Johannesburg time) on Friday, 13 November 2020
Proxy Form return time and date	5.00pm (Sydney time) / 8.00am (Johannesburg time) on Sunday, 15 November 2020 <sup>9</sup>
Meeting Date <sup>10</sup>	5.00pm (Sydney time) / 8.00am (Johannesburg time) on Tuesday, 17 November 2020
<b>If the Resolution is approved by Unitholders and all other Conditions in connection with the Proposal are fulfilled:</b>	
Cross border movement of IAPF I Units between the South African Register and the Australian Register ceases at the close of business in South Africa or Australia (as applicable)	Wednesday, 18 November 2020
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 (T+3) basis) <sup>11</sup>	Tuesday, 24 November 2020
Admission of IAPF II Units to official list of ASX (to trade as part of the Stapled Securities)	Tuesday, 24 November 2020
Stapled Securities commence trading on the ASX (on a deferred settlement basis)	Tuesday, 24 November 2020
Stapling Record Date	Wednesday, 25 November 2020
Last day for registration of transfers of unstapled IAPF I Units	

IAPF I Units held by Ineligible Foreign Unitholders transferred to the Sale Nominee	Thursday, 26 November 2020
IAPF II Units received by Unitholders <sup>12</sup>	Thursday, 26 November 2020
Stapling Date	Friday, 27 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 (T+2)) and continue trading on the JSE (on a normal settlement basis (T+3))	Monday, 30 November 2020
Dispatch of holding statements of Stapled Securities	Monday, 30 November 2020
Cross border movement of Stapled Securities between the South African Register and the Australian Register commences	Monday, 30 November 2020

#### Timetable endnotes

<sup>9</sup> As a practical and administrative matter because this deadline falls on a weekend, unitholders should seek to return their proxy form by close of business on Friday, 13 November 2020.

<sup>10</sup> Unitholders are advised that the Meeting Date will occur 6 Business Days prior to the Stapling Record Date, instead of the conventional 8 Business Days prior to the Stapling Record Date.

<sup>11</sup> Unitholders are advised that the Stapled Securities will be listed 2 Business Days after the last day of trading in unstapled IAPF I Units on the JSE ("LDT") and that the settlement of the trades occurring after the LDT will be 2 Business Days after the Stapling Record Date, instead of the conventional 1 Business Day after the Stapling Record Date. Consequently, any trading of Stapled Securities on Monday, 23 November 2020 (being two Business Days before the Stapling Record Date), will only settle on Friday, 27 November 2020 (being the Stapling Record Date plus 2 Business Days). Unitholders are accordingly advised to exercise caution when trading their Stapled Securities on this day. Any trading of Stapled Securities occurring from Tuesday, 24 November 2020 will settle on a normal T+3 basis. IAPF I Units may not be Dematerialised or rematerialised between commencement of trade on the JSE on Monday, 23 November 2020 and close of trade on Wednesday, 25 November 2020, both dates inclusive.

<sup>12</sup> Unitholders are advised that the issue of IAPF II Units to Unitholders on Thursday, 26 November 2020 merely constitutes the legal recognition of the IAPF II Units. The IAPF II Units must be legally constituted to enable Stapling to occur on the Stapling Date. The IAPF II Units issued on Thursday, 26 November 2020 are not quoted for trading at this point. The IAPF II Units will only be quoted for trading on the JSE and ASX as Stapled Securities. Trading in Stapled Securities will commence on Monday, 30 November 2020 on a normal settlement basis (refer to Implementation Date in timetable above).

*The timetable above is indicative only and may change without notice. The Responsible Entity reserves the right to amend any or all of these dates and times subject to the Listings Requirements, the Corporations Act and other applicable laws, or to withdraw the Proposal, without prior notice. Any amendment to the Proposal timetable will be announced to the market through ASX and JSE and posted on IAPF's website at [www.iapf.com.au](http://www.iapf.com.au). The quotation and commencement of trading of the Stapled Securities is subject to confirmation from ASX and JSE. Normal settlement of securities traded on the ASX is on a T+2 basis while normal settlement of securities traded on the JSE is on a T+3 basis.*

#### Categorisation of the Proposal

As previously announced, the Proposal has been categorised as a related party transaction in terms of the JSE Listings Requirements on the basis that the Responsible Entity is a related party of Investec Bank plc by virtue of Investec Bank plc being the ultimate holding company of Investec Property Management Pty Limited, the manager of IAPF.

#### Withdrawal of cautionary statements to take no action

Unitholders are referred to the cautionary announcement issued by the Responsible Entity in relation to the Proposal as released on the ASX and the JSE on Thursday, 15 October 2020. As the Responsible Entity is releasing the Booklet concurrently with this announcement, having received formal approval from the JSE to dispatch the Booklet, unitholders are advised that such caution is no longer required to be exercised when dealing in IAPF units. Unitholders are urged to review the Booklet carefully in making any decision as to how to vote their units at the IAPF unitholder meeting and consult their stockbroker,

accountant or financial or tax adviser if they are uncertain about the impact of the Proposal or their particular investment objectives.

This announcement has been authorised for release by the Company Secretary.

## **ENDS**

### **For further information, please contact:**

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### **About Investec Australia Property Fund**

Investec Australia Property Fund is an Australian domiciled fund that is dual listed on the JSE and the ASX. The Fund invests in office, industrial and retail property located in Australia and New Zealand. The Fund is managed by an experienced team of property specialists on the ground in Australia who have an established track record. Investec Australia Property Fund is operated by Investec Property Limited. For more about Investec Australia Property Fund please visit: [www.iapf.com.au](http://www.iapf.com.au).

Investec Property Limited ABN 93 071 514 246 AFSL No. 290909 is the Responsible Entity for the Investec Australia Property Fund ARSN 162 067 736, an Australian managed investment scheme registered in South Africa as a Foreign Collective Investment Scheme and listed on the JSE Limited and the ASX Limited. Investec Property Limited is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth). Investec Property Limited's obligations do not represent deposits or other liabilities of Investec Bank plc, including its Australia Branch. Investec Bank plc (including its Australia Branch) does not guarantee or otherwise provide any assurance in respect of the obligations of Investec Property Limited.

### **Not for release or distribution in the United States**

This announcement has been prepared for publication in Australia and South Africa and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

### **Not an offer to the South African public**

Neither this announcement nor the Proposal comprises of an offer to the public as contemplated by the South African Companies Act, and no prospectus has been or will be filed with the Companies Intellectual Property Commission in South Africa in respect of this announcement or the Proposal.

## ANNEXURE: SCOPE OF FINANCIAL INFORMATION AND BASIS OF PREPARATION

### Overview

This Annexure describes the financial information contained in the Booklet, together with a description of the basis of preparation of that financial information.

### Summary of financial information comprised in the Booklet

The financial information in section 6 of the Booklet comprises:

- summarised historical consolidated statements of profit and loss and other comprehensive income of IAPF I for the financial years ended 31 March 2018 (“**FY18**”), 31 March 2019 (“**FY19**”) and 31 March 2020 (“**FY20**”) as set out in section 6.3 of the Booklet (“**Historical Income Statements**”); and
- summarised historical consolidated statement of financial position of IAPF I as at 31 March 2020 as set out in column A of Table 2 in section 6.4 of the Booklet (“**Historical Consolidated Balance Sheet**”);  
  
(collectively, the “**Historical Financial Information**”);
- pro forma historical consolidated statement of financial position of the IAPF Group assuming the Ann Street disposal and the implementation of the Proposal as at 31 March 2020 as set out in column D of Table 2 in section 6.4 of the Booklet;  
  
(the “**IAPF Group Pro Forma Historical Consolidated Balance Sheet**”);
- aggregated forecast statement of profit and loss and other comprehensive income of IAPF I for the year ending 31 March 2021 (“**FY21**”) (“**IAPF I Forecast Income Statement**”) as set out in column A of Table 3 in section 6.5 of the Booklet;
- forecast statement of profit and loss and other comprehensive income of IAPF II for the period from the Implementation Date to 31 March 2021 (“**IAPF II Forecast Income Statement**”) as set out in column B of Table 3 in section 6.5 of the Booklet; and
- aggregated forecast statement of profit and loss and other comprehensive income of the IAPF Group for the year ending 31 March 2021 (“**IAPF Group Forecast Income Statement**”) as set out in column D of Table 3 in section 6.5 of the Booklet;  
  
(together the “**Forecast Income Statements**”); and
- pro forma forecast consolidated statement of profit and loss and other comprehensive income of the IAPF Group assuming implementation of the Proposal on 1 April 2020 (“**IAPF Group Pro Forma Forecast Income Statement**”) as set out in column F of Table 3 in section 6.5 of the Booklet,  
  
(collectively, the Forecast Income Statements and the IAPF Group Pro Forma Forecast Income Statement, “**Forecast Financial Information**”).

In addition, the financial information in Annexure B of the Booklet comprises:

- a breakdown of the aggregated forecast statement of profit or loss and other comprehensive income of IAPF I for FY21 as set out in column A of table 3 in section 6.5 of the Booklet, comprising:
  - statement of profit or loss and other comprehensive income of IAPF I for the four months ended 31 July 2020 (“**Reviewed IAPF I Income Statement**”) as set out in column A of Table 1 of section 1.3 of Annexure B of the Booklet;

- forecast statement of profit or loss and other comprehensive income of IAPF I for the eight months ended 31 March 2021 (“**IAPF I Eight-Month Forecast Income Statement**”) as set out in column B of Table 1 of section 1.3 of Annexure B of the Booklet;
- aggregated forecast statement of profit or loss and other comprehensive income of IAPF I for the year ending 31 March 2021 (“**IAPF I Forecast Income Statement**”) as set out column C of Table 1 in section 1.3 of Annexure B of the Booklet;
- a breakdown of the IAPF Group Pro Forma Forecast Income Statement as set out in column F of Table 3 in section 6.5 of the Booklet, comprising:
  - IAPF Group Forecast Income Statement as set out in column A in Table 2 of section 1.4 of Annexure B of the Booklet;
  - pro forma adjustments to incorporate the statement of profit or loss and other comprehensive income of IAPF II for the four months ending 31 July 2020 (“**IAPF II Pro Forma Income Statement**”) as set out in column B of Table 2 of section 1.4 of Annexure B of the Booklet;
  - forecast statement of profit or loss and other comprehensive income of IAPF II for the 3 months ending 31 October 2020 as set out in column C of Table 2 of section 1.4 of Annexure B of the Booklet;
  - pro forma consolidation and elimination journal entries as set out in column D of Table 2 of section 1.4 of Annexure B of the Booklet; and
  - IAPF Group Pro Forma Forecast Income Statement as set out in column E in Table 2 of section 1.4 of Annexure B of the Booklet.

The aggregated pro forma forecast profit after tax attributable to the Assets that are subject of the transaction on a standalone basis is comprised of the:

- IAPF II Forecast Income Statement as set out in column B of Table 3 in section 6.5 of the Booklet;
- IAPF II Pro Forma Income Statement as set out in column B of Table 2 of section 1.4 of Annexure B of the Booklet; and
- forecast statement of profit or loss and other comprehensive income of IAPF II for the 3 months ending 31 October 2020 as set out in column C of Table 2 of section 1.4 of Annexure B of the Booklet.

A breakdown of the net assets related to the Assets is set out in column D (IAPF II pro forma) of Table 6 in section 6.9 of the Booklet.

### **Basis of Preparation of financial information contained in the Booklet**

The IAPF Group Pro Forma Historical Consolidated Balance Sheet included in the Booklet has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, and which is consistent with the International Financial Reporting Standards.

The Forecast Financial Information prepared by the Responsible Entity included in the Booklet is unaudited and is based on the best estimate assumptions of the directors of the Responsible Entity. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the IAPF Group Pro Forma Historical Consolidated Balance Sheet. The Forecast Financial Information and the IAPF Group Pro Forma Historical Consolidated Balance Sheet contained in the Booklet should be read in conjunction with, and are qualified by reference to, the information contained in section 6 of the Booklet.

This should be read in conjunction with the detailed basis of preparation and presentation of financial information as set out in section 6.2 of the Booklet and section 1.2 of Annexure B of the Booklet.

Capitalised terms not defined in this announcement are defined in the Glossary in section 13 of the Booklet.