

IOF ANNUAL REVIEW

30 JUNE 2015
Investa Office Fund



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IOF

Investa Office Fund (IOF or the Fund) is one of Australia's leading owners of investment grade office buildings. IOF has total assets under management (AUM) of \$3.3 billion with 22 investments located in core CBD markets throughout Australia. IOF is an externally managed Australian Real Estate Investment Trust managed by one of Australia's largest office owners and managers, Investa Office (Investa), and governed by Investa Listed Funds Management Limited (ILFML), (consisting of a majority of Independent Directors) as the Responsible Entity.

This Annual Review is one of three documents that form IOF's financial year 2015 reporting suite. For more information, or to download any of the above documents, visit www.investa.com.au/IOF



STRATEGY AND MANAGEMENT

IOF's dedicated management team and the high calibre industry professionals from the Investa Office Management platform are equipped with a diverse range of skills and experience, enabling a balanced approach to managing IOF operationally, strategically and through the cycle. As an Australian office sector specialist, Investa's multidisciplinary team adds value across the entire spectrum of IOF's ownership, management and development initiatives.

IOF's strategy is to deliver attractive risk adjusted returns by investing in high quality Australian CBD office assets and leveraging the competitive advantages of the Investa Office Management platform to proactively add value. As an office-only specialist and leader in the Australian market, Investa's expertise in asset, portfolio and capital management positions IOF strongly in a challenging market – providing the capability to lease-up and renew tenants ahead of market expectations; reposition or recycle assets through the market cycle; and maximise returns by managing the debt and equity base of the Fund.

HIGHLIGHTS

A year of continued growth and portfolio transformation

02

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IOF

“Financial year 2015 was another active year of asset management with high levels of leasing being led by the smaller end of the market seeking quality accommodation that is reasonably priced – a trend we believe will continue given the current low growth economic environment.”

**MING LONG,
FUND MANAGER**

Leased
55,200sqm
with over 124
transactions
completed

Distributions per
unit up 4.1% to

19.25cents



IOF listed on the 2014
Carbon Disclosure Project
(CDP) A-List for Climate
Performance



CDP™
**CLIMATE
PERFORMANCE
LEADER 2014**

Delivered a

4.5%

increase in FFO to
27.7 cents per unit



Delivered on IOF's
strategy of becoming

100% Australian

with the sale of IOF's
final offshore asset,
Bastion Tower, Brussels

Reported a valuation
uplift over cost of

\$33million

following the
completion of
567 Collins Street
Melbourne



8.1% increase in Net
Tangible Assets (NTA) to

\$3.62per unit



Exchanged
contracts
to sell 383 La
Trobe Street
Melbourne at a

31%

premium to
book value



Ranked in the top quartile
of the Global Real Estate
Sustainability Benchmark
(GRESB) GreenStar
2014



Reduced cost
of debt to 4%
and maintained
a long debt
maturity of

5.2years



Sold 628
Bourke Street
Melbourne at a

14%
premium to
book value



HIGHLIGHTS

OVERVIEW

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PORTFOLIO

DIRECTORIES

LETTER FROM THE CHAIRMAN

**“Your Board
is committed
to maintaining
market leading
standards
in corporate
governance and
maximising value
for unitholders.”**

DEBORAH PAGE AM, CHAIRMAN
INVESTA LISTED FUNDS
MANAGEMENT LIMITED

Distribution per unit

19.25cents

Increase in Net Tangible Assets

↑8%



From left: Peter Rowe, Non Executive Independent Director,
Deborah Page, Chairman, Peter Dodd, Non Executive Independent Director

It is my pleasure to present IOF's 2015 Annual Report, a year in which we continued to deliver on our commitments to unitholders, including finalising the exit of IOF's offshore investments. IOF is now wholly invested in Australian office assets. Financial results were strong and ahead of guidance. All our key metrics improved for financial year 2015, with Funds From Operations (FFO), our preferred measure of operational performance, up 4.5% to \$169.9 million, and the distribution to unitholders up 4.1% to 19.25 cents per unit. IOF's Net tangible assets per unit increased by 8.1%, from \$3.35 to \$3.62 after \$126 million of valuation uplifts were booked over the year.

DELIVERING IMPROVEMENTS ACROSS THE PORTFOLIO

During the period we delivered on our commitment to completing an orderly sale of IOF's offshore assets, with the sale of Bastion Tower finalised in March 2015. We consider IOF's \$3.3 billion Australian-only office portfolio as being one of the best in the country, and by leveraging the skills and expertise of Investa we are able to generate attractive risk adjusted returns through the cycle for our unitholders.

Our strategy of reinvesting offshore sales proceeds back into the Australian market has been targeted at the largest and most diversified CBDs – Sydney and Melbourne. This approach has increased our weightings to these markets from 66% to 78%, and we are now realising the benefits of that strategy with valuation uplifts averaging 4%, and occupancy of 98% in Sydney and 100% in Melbourne.

Construction of 567 Collins Street, Melbourne has been completed, and this property brings a new premium grade asset into the portfolio. Planning is well progressed for the redevelopment of 151 Clarence Street, Sydney in 2016.

Despite owning high quality assets in Brisbane and Perth, the reliance on the resources industry in these economies has impacted white collar employment and the performance of these assets. Your Board and management team are highly focused on leasing-up vacancy in both these markets.

We also continue to optimise the quality and returns of the portfolio by selling assets, crystallising value and generating capital recycling opportunities. As a result, we have committed to sell \$280 million of assets at an average premium to book value of 19% over the past 18 months.



UPDATE ON THE SALE OF INVESTA OFFICE MANAGEMENT (THE MANAGER OF IOF) BY MORGAN STANLEY

In February 2015 Morgan Stanley Real Estate Investing (Morgan Stanley) announced it was exploring opportunities to sell its investment in Investa Property Group (IPG), the parent company of Investa Office Management – IOF’s Manager. The Board established an Independent Board Committee (IBC) to focus on the best interests of IOF unitholders during the Morgan Stanley sale process.

Following the acquisition by IPG of IOF’s management rights from ING in March 2011 certain rights were granted to IOF unitholders, being:

- > Pre-emptive rights over Investa Office Management, triggered in certain circumstances where its legal parent sells the entity, as well as a right to acquire 50% of Investa Office Management in certain circumstances; and
- > A pre-emptive right over Morgan Stanley’s 25% interest in 126 Phillip Street, Sydney.

These rights are complex and I direct you to the Implementation Deed and the Notice of Meeting and Explanatory Memorandum dated 23 February 2012 located on the IOF website should you wish to understand these in more detail.

Prior to the launch of the Morgan Stanley sale process, the IBC had discussions with Morgan Stanley in relation to acquiring Investa Office Management. However, threshold terms sought by Morgan Stanley could not provide IOF with certainty of a transaction and was not in the best interests of unitholders. Morgan Stanley then commenced a sale process for IPG which precluded Investa’s managed funds from participating in the process.

On 27 July 2015, Morgan Stanley exchanged contracts to sell its own portfolio of assets. The IBC believed that this was the right time to formally re-engage as

the perceived conflicts of interest regarding the sale of Morgan Stanley’s properties had been removed; and an internalisation of Investa Office Management by IOF was a logical transaction that was consistent with the expectations of IOF unitholders following representations made by IPG in 2011. Disappointingly, Morgan Stanley informed the IBC that it would not entertain an offer from IOF to acquire Investa Office Management as part of its sale process.

In light of the changes to IOF’s strategic opportunity to potentially acquire the highly regarded Investa Office Management platform, and having regard to the continuing uncertainty surrounding the Fund’s management, on 14 August 2015 the IBC announced that a strategic review would be undertaken to explore all opportunities for IOF to maximise value for unitholders, including the ongoing management and ownership of IOF. This review is progressing and the IBC remains committed to keeping unitholders informed of any material developments as they occur.

OUTLOOK

I would like to thank the IOF management team and the employees of Investa Office Management for their commitment and dedication to IOF during a period of considerable uncertainty. Their achievements and the high quality characteristics of the portfolio have underpinned another successful year for IOF, and in a low-growth economic environment the Fund is positioned well, moving into financial year 2016 with forecast FFO growth of 1.4% and distribution growth of 1.8%.

Yours sincerely,

A handwritten signature in black ink, which appears to read 'Deborah Page'. The signature is fluid and cursive.

Deborah Page AM

Chairman, Investa Listed Funds Management Limited



LETTER FROM THE FUND MANAGER

“Our active approach to asset management has driven \$126 million in valuation increases across the portfolio.”

**MING LONG,
FUND MANAGER**

Leased

55,200sqm

Funds From Operations per unit

↑4.5%

Ming Long, IOF Fund Manager

Dear Unitholder

I am pleased to report strong results for IOF for financial year 2015, as we continue our focus on portfolio, capital and asset management. Investa delivered a 4.5% increase in Funds From Operations (FFO) to 27.7 cents, ahead of our guidance, and increased the distribution per unit by 4.1% to 19.25 cents. Statutory net profit decreased 2.4% to \$179.2 million, after the sale of IOF's final offshore asset triggered a transfer of the foreign currency translation reserve in the Statement of Financial Position to the Income Statement. Net profit from continuing operations for the year was up 24.2% to \$281.8 million, and after revaluing 97% of the portfolio, net tangible assets rose by a sector-leading 8.1% to \$3.62 per unit.

DELIVERY OF STRATEGY AND PROACTIVE LEASING CONTINUE TO DRIVE VALUE

Net property income increased 8% in financial year 2015, as the strategy of reinvesting proceeds from offshore asset sales into high quality Australian assets continued to bear fruit. Piccadilly and 6 O'Connell Street, both assets in Sydney that IOF acquired in 2014, provided full year contributions, boosting the performance of the portfolio beyond the annual fixed rent reviews which underpin the year-on-year performance of the portfolio.

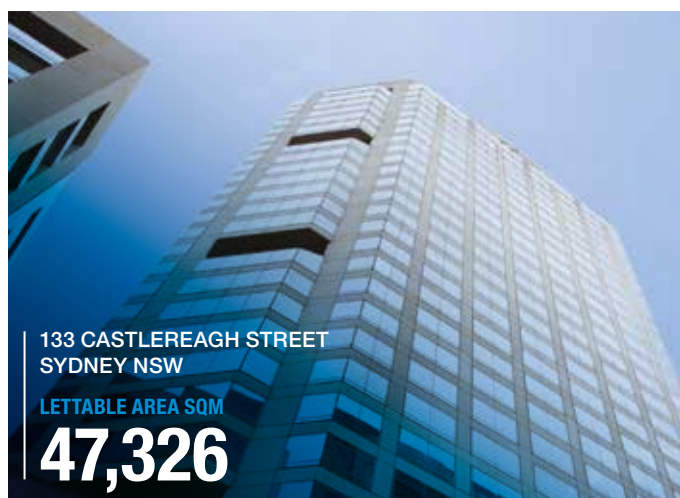
Valuation uplifts recorded across the portfolio totalled \$126 million – an average of 4.1%. The strongest increases in valuations were reported in Sydney and Melbourne, where valuation growth averaged 10%, reflecting strong leasing over a number of years underpinned by robust cash flows and cap rate compression. These valuation increases were partially offset by decreases in valuations in Brisbane and Perth, where markets have been impacted by weak tenant demand on the back of a challenging economic environment.

Investa continued to take advantage of opportunities to crystallise value during the period. The sale of 628 Bourke Street, Melbourne, was completed at a 14% premium to book value; and contracts were exchanged to sell 383 La Trobe Street, Melbourne, for \$70.7 million – removing a key lease expiry risk in June 2017 and crystallising a 31% premium to the prior book value. These actions, together with the strong valuation uplifts across the Sydney and Melbourne assets, contributed to a 27 cent per unit increase in net tangible assets over the year.

100% AUSTRALIAN PORTFOLIO

Investa has delivered on IOF's strategy of becoming 100% Australian focused after disposing of Bastion Tower, Brussels, IOF's final offshore asset. This sale completed the orderly divestment of over \$800 million of offshore assets which began in 2011 when Investa took over management of IOF.

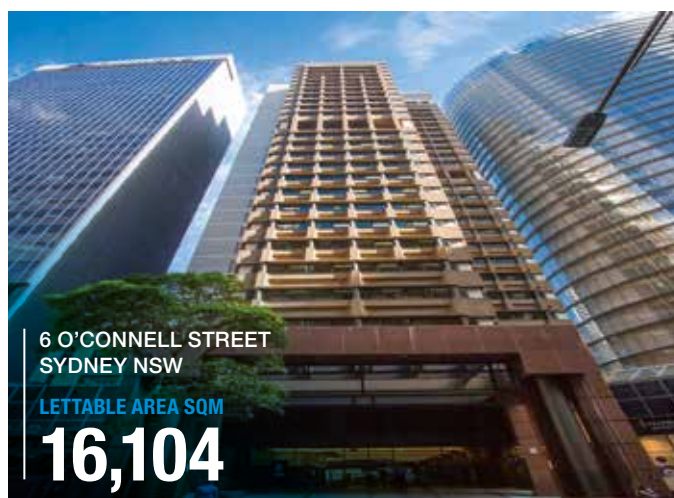
The proceeds from offshore sales have been reinvested into \$1.2 billion of higher returning Australian assets including iconic buildings such as



133 CASTLEREAGH STREET
SYDNEY NSW

LETTABLE AREA SQM

47,326



6 O'CONNELL STREET
SYDNEY NSW

LETTABLE AREA SQM

16,104

126 Phillip Street, Sydney. We strategically focused on investing \$1.1 billion in the Sydney and Melbourne, increasing our exposure to these markets to 78%, as they have the deepest pools of tenant demand and provide a stable income backbone to the portfolio.

In July 2015, practical completion was reached at IOF's newest asset, 567 Collins Street in Melbourne. This premium grade asset is 78% leased to tenants including Corrs Chambers Westgarth and Jemena, and is effectively 100% occupied for the next 4 years as an income guarantee has been provided over any vacant space from the developer, Leighton Properties.

Investa is unlocking further value in the portfolio by progressing with the development of 151 Clarence Street Sydney, scheduled to begin in March 2016. This new 22,000 square metre A-grade office tower will complete in mid-to-late 2018 and is underpinned by a 28% pre-commitment to the global engineering firm ARUP. In addition to further upgrading the quality of the portfolio, this development is forecast to deliver healthy returns including a yield on cost of approximately 7.5%.

CONSERVATIVE DEBT PROFILE

IOF's bias towards floating rate debt has resulted in another year of reduced financing costs – with the weighted average cost of debt falling from 4.7% in financial year 2014 to 4.0% this period. The refinancing profile is largely de-risked, with a long weighted average debt maturity of 5.2 years and no single maturity in any one year over \$200 million. IOF's BBB+/stable Standard & Poor's credit rating has been maintained and provides ongoing flexibility for financing needs, further minimising re-financing risks in the future.

STRATEGIC REVIEW

As outlined in the Chairman's letter, IOF's Board established an Independent Board Committee (IBC) to represent the interests of unitholders as Morgan Stanley Real Estate Investing undertook to sell IOF's Manager, Investa Office Management. In August 2015, the IBC announced the commencement of a strategic review to maximise value for unitholders. Accordingly, the IBC in collaboration with IOF's advisors and management team is exploring all options including the ongoing management and ownership of IOF.

OUTLOOK

Underlying tenant demand in Sydney and Melbourne is showing good growth and we expect this to continue into 2016. However, the Brisbane and Perth markets remain competitive, and whilst we have had recent leasing success in those markets, we have been conservative in our forecasts. With regards to the capital markets, we expect these to remain strong as quality office assets remain highly sought after, particularly by offshore investors.

At a portfolio level, all of the hard work over the past few years has materially de-risked IOF's income profile. After taking into consideration the redevelopment of 151 Clarence Street, no more than 7% of income is at risk over the next 3 years – a robust outlook in an uncertain environment. Taking this into consideration, we are confident in achieving our FFO guidance for 2016 of 28.1 cents per unit, representing a 1.4% increase on financial year 2015, and forecast a distribution increase of 1.8% to 19.6 cents per unit.

On behalf of the IOF team, I would like to take this opportunity to thank you for your support in 2015 and look forward to your continuing support in 2016.

Yours sincerely,

Ming Long
Fund Manager, IOF

OVERVIEW

GOVERNANCE & MANAGEMENT

INTERACTION BETWEEN IOF, THE BOARD AND THE MANAGER

IOF does not employ any staff directly; instead the Responsible Entity has engaged the manager, Investa, to provide IOF with asset, portfolio and capital management services to support the delivery of IOF's strategy. This relationship allows IOF to benefit from Investa's integrated platform and capability as an office manager, ultimately contributing to superior unitholder returns.

The Responsible Entity is entitled to a fee equivalent to 0.55% per annum of market capitalisation and engages the manager to provide the services required to manage IOF. When compared to traditional fee structures, this market leading fee structure provides greater alignment between the Responsible Entity, manager and unitholders.

BOARD OF DIRECTORS

The Board of the Responsible Entity of IOF comprises a majority of Independent Directors, including an Independent Chairman. The Board members have extensive experience within the industry, and their collective knowledge and commitment to IOF complements the expertise of the management team.

STRONG CORPORATE GOVERNANCE PRINCIPLES

- > Dedicated Responsible Entity focused entirely on IOF with Directors who bring depth and breadth of experience
- > Ability to ratify appointment of Independent Directors
- > Unitholder approval required for real estate related party transactions
- > Responsible Entity fee of 55 bps of total market capitalisation (subject to 2.5% cap and collar), providing greater alignment between the Responsible Entity, manager and unitholders
- > Enhanced communication and transparency
- > Focus on gender diversity with representation of women on the Board at 20% with a female Independent Chairman, 24% at senior management level and 45% of all staff across the Investa Office platform

PETER DODD
Non Executive
Independent Director

DEBORAH PAGE AM
Chairman and
Non Executive
Independent Director

SCOTT MACDONALD
Non Executive Director

PETER ROWE
Non Executive
Independent
Director

**JONATHAN
CALLAGHAN**
Executive
Director

CAMPBELL HANAN
Alternate Executive Director
for Scott MacDonald



MANAGEMENT TEAM

The high calibre industry professionals that manage IOF have a diverse range of skills and experience. The team's complementary skills and dedication to the Fund enable a balanced approach to managing IOF both operationally and strategically.

IOF's management team is underpinned by Investa's market leading operating platform. The platform specialises in the delivery of superior service experiences to tenants, contributing to higher tenant retention and better operational and Fund performance over the long term. This approach is carried out across IOF's portfolio by more than 200 real estate service professionals based locally in the markets in which IOF operates – driving value creation through active leasing and continued tenant engagement.



MING LONG
Fund Manager

Ming Long is the Fund Manager for IOF and is responsible for the strategic direction and performance of IOF. Ming has extensive experience in real estate, capital management, corporate finance and funds management and has a strong track record in driving performance through challenging markets. She has over 20 years' financial management experience and has been at Investa for more than 10 years.



ALEX ABELL
Assistant Fund Manager

Alex is responsible for developing and delivering the asset management strategies for the IOF portfolio. This includes leveraging Investa's project and development management, sustainability and research teams to enhance long term decision making across the portfolio. Alex also provides high level support in the area of investor relations. Alex has over 14 years' experience in the property industry in the areas of treasury, corporate finance, and asset and funds management.



NICOLE QUAGLIATA
Senior Fund Analyst

Nicole is responsible for overseeing the financial performance of the Fund. This includes analysing financial decisions at both the Fund and asset level, assessing the impact of any transaction on fund performance. Nicole also oversees capital management initiatives, working closely with Treasury and the wider Investa Finance teams. Nicole has over 10 years' experience in property and funds management and is a Chartered Financial Analyst.



STEPHANIE OTTENS
Investor Relations Associate

Stephanie is responsible for the day-to-day management of the investor relations function, working with the team to ensure clear communication between IOF and the investment community. Stephanie has over 6 years' experience in the property industry in the areas of marketing and business management and is currently completing a Masters of Business Administration.

OVERVIEW GOVERNANCE & MANAGEMENT



**INVESTA IS ONE OF
THE LARGEST OFFICE
MANAGERS IN
AUSTRALIA**

A\$9.0

**BILLION ASSETS UNDER
MANAGEMENT**

**OFFICE
SECTOR
SPECIALIST**

Sqm of office space
>1 million

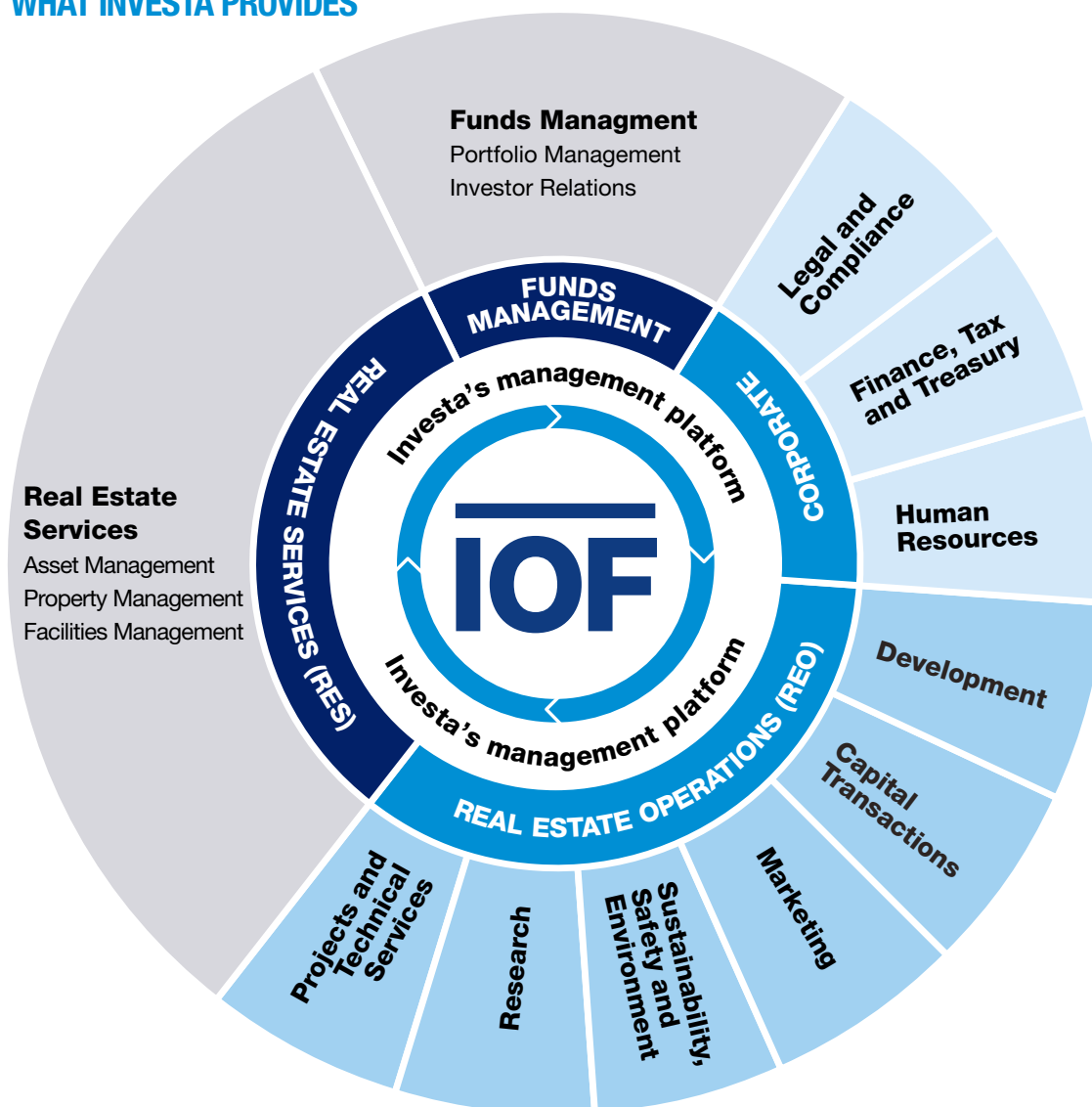
Businesses
accommodated
>900

Occupants¹
>100,000



1. Estimate based on 1:12 occupant space ratio.

WHAT INVESTA PROVIDES



HOW THEY ADD VALUE TO IOF

- End-to-end service platform
- Australian office specialist
- Active portfolio management
- Proven leasing capability
- Strategic capital management
- Deep knowledge of the local market
- Extensive tenant relationships
- Customer centric service model
- Environmental leadership

NO. OF TENANTS WHO RECOMMEND
INVESTA AS A BUILDING MANAGER

86%

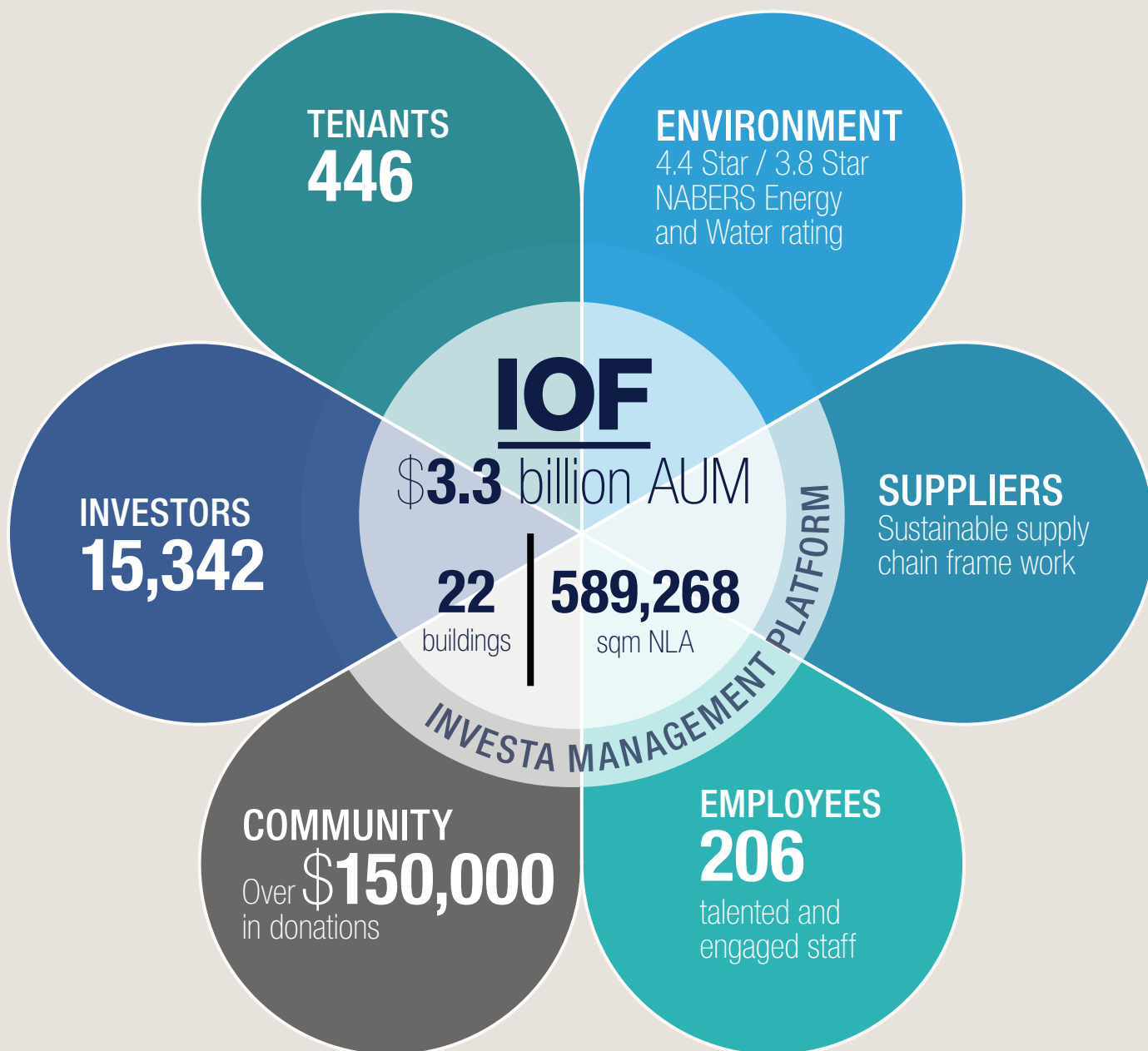
INVESTA FUNDS RANKED IN THE
TOP QUARTILE
OF THE GLOBAL REAL ESTATE
SUSTAINABILITY BENCHMARK



OVERVIEW

OUR APPROACH

IOF is structured to benefit our stakeholders, recognising that the way in which the manager, Investa, operates its assets, manages its investors' capital and conducts its business impacts a range of stakeholders.



2015

DELIVERING TO STAKEHOLDERS

Investors

Market leading governance framework
Transparent disclosure and reporting
Leverage the Investa Office Management platform to optimise performance

Tenants

Apply Investa's customer centric model to deliver market leading service to tenants
Provide a safe environment for all tenants and visitors by utilising Investa's Work, Health and Safety platform
Achieve operational cost savings by leveraging Investa's national contracts and procurement management system to achieve operating savings
Optimise environmental performance through tenant focused green initiatives

Suppliers

Monitor supply chains and align contractor processes, conduct, and material use to Investa's environmental and operational standards

Employees

Attract and retain talented, engaged people to implement IOF's investment strategies and manage and operate the assets

Community

Engage with the wider community through charities and community investment to deliver societal benefits

Environment

Continual improvement across key environmental measures including greenhouse gas emissions, electricity, water and gas use, and NABERS Energy and Water ratings

Leverage new tools and innovations to drive building management system performance, enhancing building efficiency and operation

Maintain and expand partnerships and initiatives that stimulate progress and continual improvement in responsible investment



OVERVIEW

CORPORATE SOCIAL RESPONSIBILITY

**OPERATE AT THE
HIGHEST STANDARDS
OF CORPORATE
GOVERNANCE AND
ETHICAL CONDUCT**

IOF is established as a global leader in responsible investment management of real estate, with a clear strategy for embedding environmental, social and governance (ESG) focused practices into core activities of the Fund.



Meeting tenant needs and harnessing human capital

Improving communication and services to tenants to deliver an enhanced occupant experience and greater value-add as a building owner



Adding value through research and innovation

In-house research and strategic industry, government and business partnerships deliver improved performance and drive change



Active management to deliver operational outperformance

Through experience and technical expertise, buildings are actively managed to operate at their optimum level



Focus on targets and alignment of strategies across the business

Maintaining the highest standards of corporate governance and ethical conduct



During financial year 2015, Investa remained focused on improving the environmental performance of buildings whilst also engaging with new systems and structures to influence social risks and outcomes beyond the business.

AUSTRALIAN INVESTOR RELATIONS ASSOCIATION

IOF was Highly Commended in the area of Best Environmental, Social and Governance Disclosure for an Australasian Company in 2014.

AUSTRALIAN REPORTING AWARDS

IOF received the Silver Award for annual reporting, recognising the high level of clear and concise disclosure provided throughout the annual reporting suite of documents in financial year 2014. Additionally, IOF was a finalist for the Online Reporting Award in the private sector.

AUSTRALIAN BUSINESS ROUNDTABLE

Investa was jointly recognised alongside the Australian Business Roundtable for Disaster Resilience and Safer Communities with a Certificate of Distinction in the Sasakawa Award from the UN Office for Disaster Risk Reduction (UNISDR) for advocating prioritisation of disaster mitigation expenditure, based on best economic return.
www.australianbusinessroundtable.com.au

CDP

IOF was recognised on the international CDP A-list as a CDP Climate Performance Leader 2014 Index – one of only five Australian ASX listed companies. www.cdp.net

DIVERSITY

Investa continues to address diversity through a committee, action plan and business metrics. In 2014, the business committed to the Women's Empowerment Principles (WEPs) through UN Women and the UN Global Compact.

GRESB

IOF was ranked in the top quartile of global sustainable property funds, reaching 13th and listed as a Green Star 2014, by the Global Real Estate Sustainability Benchmark.

www.gresb.com

RESPONSIBLE INVESTMENT ASSOCIATION OF AUSTRALASIA CERTIFICATION

Investa Funds Management is an active participant in RIAA.
www.responsibleinvestment.org

SUSTAINABLE SUPPLY CHAIN

Investa developed and launched a new procurement process to better manage ESG risks in the supply chain in 2015.

UN PRINCIPLES FOR RESPONSIBLE INVESTMENT

Investa has been a signatory to the UN-supported Principles for Responsible Investment since 2007.
www.unpri.org



AUSTRALIAN BUSINESS ROUNDTABLE
for Disaster Resilience
& Safer Communities



CDP
CLIMATE
PERFORMANCE
LEADER 2014



Signatory of:



Principles for
Responsible
Investment

STRATEGY

OUR KEY PILLARS

IOF's strategy is to deliver attractive risk adjusted returns by investing in high quality assets in Australian CBD office markets where the manager, Investa, can enhance returns through active asset management and by repositioning or recycling assets through the market cycle.



CAPITAL MANAGEMENT

Maintaining our financial strength

Actively manage the balance sheet to minimise financing costs whilst maintaining diversity of funding to reduce refinancing risks

“Continuing to deliver on strategy, we have seen opportunity to realise value creation through the sale of 383 La Trobe Street and 628 Bourke Street in Melbourne.”

**MING LONG,
FUND MANAGER**



PORTFOLIO MANAGEMENT

Delivering portfolio transformation and operational outperformance

Undertaking a proactive approach to portfolio management to optimise performance and deliver attractive risk adjusted returns through the cycle

Considered approach to asset allocations to maintain a balanced portfolio

Leverage market opportunities to create and realise value

ASSET MANAGEMENT

Proactively adding value

Address leasing risk through proactive and innovative asset management

Delivered valuation uplifts underpinned by active asset management

Engage with tenants to provide custom leasing solutions and amenities

STRATEGY



CAPITAL MANAGEMENT

Actively manage the balance sheet to minimise financing costs whilst maintaining diversity of funding to reduce refinancing risks

IOF's BBB+ stable credit rating provides opportunities to raise capital for short and long term debt from traditional providers such as banks in addition to domestic and offshore bond markets. This approach also creates price tension across lenders, underpinning our sector leading low cost of debt.

WEIGHTED AVERAGE DEBT MATURITY REMAINS STABLE

5.2 years

HEDGING RATIO

43%

STABLE CREDIT RATING

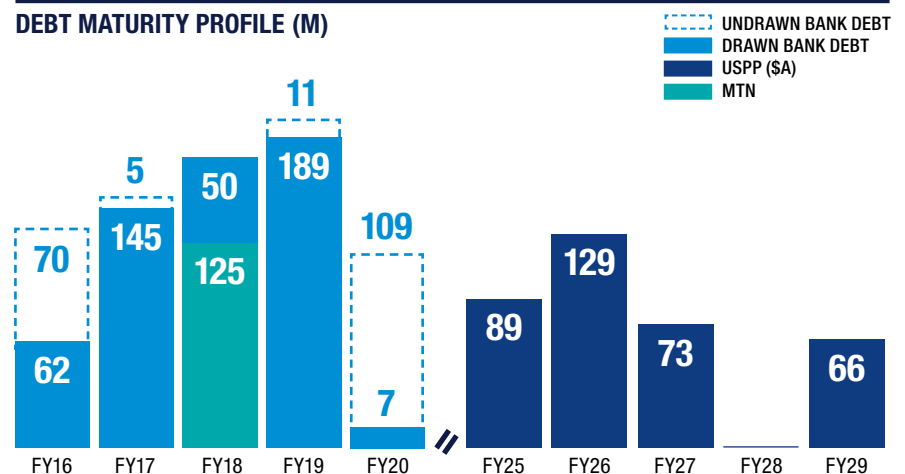
BBB+

COST OF DEBT REMAINS LOW

4.0%



DEBT MATURITY PROFILE (M)



STRATEGY



PORTFOLIO MANAGEMENT

Undertaking a proactive approach to portfolio management to optimise performance and deliver attractive risk adjusted returns through the cycle

After completing the offshore sales program, Investa continues to be focused on actively managing the IOF portfolio to drive returns. Since IOF's financial year 2014 results, Investa has disposed of \$130 million of Australian assets at an average premium to book value of 14%, and exchanged contracts to sell 383 La Trobe St, Melbourne for \$70.7 million – a 31% premium to book value.

SALE OF 383 LA TROBE STREET, MELBOURNE

\$70.7m

AT A PREMIUM TO BOOK VALUE OF

31%

“Over the last four years IOF has reinvested \$1.2 billion into high quality assets, building a \$3.3 billion portfolio focused on core CBD markets.”

**ALEX ABELL,
ASSISTANT FUND MANAGER**



DEUTSCHE BANK PLACE
126 PHILLIP STREET
SYDNEY NSW



383 LA TROBE STREET
MELBOURNE VIC

ACQUISITIONS AND DISPOSALS

126 PHILLIP STREET
SYDNEY
APRIL 2012

242 EXHIBITION STREET
MELBOURNE
APRIL 2012

66 ST GEORGES TERRACE
PERTH
AUGUST 2012

567 COLLINS STREET
MELBOURNE
JULY 2013

6 O'CONNELL STREET
SYDNEY
JUNE 2014

PICCADILLY COMPLEX
SYDNEY
MARCH 2014

ASSET ACQUISITIONS

2012	2013	2014	2015
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ASSET DISPOSALS

HOMER BUILDING
USA
JANUARY 2012

DUTCH OFFICE FUND
DECEMBER 2013

628 BOURKE STREET
MELBOURNE
OCTOBER 2014

BASTION TOWER,
BRUSSELS BELGIUM
MARCH 2015

COMPUTER ASSOCIATES
USA
JANUARY 2012

383 LA TROBE STREET
MELBOURNE
JULY 2015¹

NEUILLY VICTOR HUGO
PARIS FEBRUARY 2012

900 THIRD AVENUE
USA MARCH 2012

1. Contracts exchanged in July 2015 – settlement to occur between July 2016 and January 2017

STRATEGY



PORTFOLIO MANAGEMENT

Considered approach to asset allocations to maintain a balanced portfolio

WEIGHTING TO PRIME ASSETS

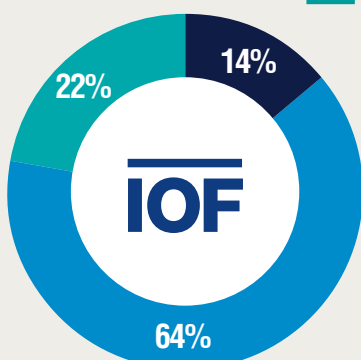
78%

“Insights gained through Investa’s research continue to benefit IOF through enhanced decision making on leasing, acquisitions and disposals. These insights underpinned our confidence to invest \$1.1 billion into the Sydney and Melbourne markets ahead of strong tenant demand, which has contributed to increasing capital values and generated strong risk adjusted returns.”

ALEX ABELL,
ASSISTANT FUND MANAGER

ASSET ALLOCATION (%) BY VALUE

■ PREMIUM
■ A-GRADE
■ B-GRADE



PICCADILLY COMPLEX
133 CASTLEREAGH STREET
SYDNEY NSW



TELSTRA GLOBAL HEADQUARTERS
242 EXHIBITION STREET
MELBOURNE

ASSET ALLOCATION

IOF has a 78% weighting to prime grade assets including 126 Phillip Street, 388 George St and the Piccadilly Complex in Sydney; and 567 Collins St and 242 Exhibition St in Melbourne. These assets provide a high quality and stable backbone to support sustainable returns through the cycle.

IOF's diversified portfolio includes a 22% weighting to B-grade assets, which provide a greater exposure to small and medium sized tenants.

- > Growing component of the market with digital disruption impacting large occupiers
- > Reduced concentration to single tenant expiries
- > Catering to more cost-conscious occupiers

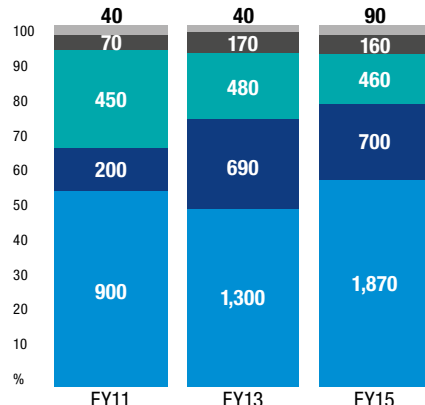
INVESTA RESEARCH

Investa's in-house research team analyses the macro and micro-economic drivers of office markets to provide up-to-date and relevant insights to management. Investa also participates in both academic and applied action research for sustainability and facilities management in the built environment.

- > Research on the economic factors influencing office market conditions and the drivers of office market investment returns, including supply, tenant demand, vacancy rates, rental growth, tenant incentives, investment yields and transaction volumes
- > Research to understand and improve asset operational performance using new building management technologies, and leveraging data visualisation and engagement tools for building managers and stakeholders

AUSTRALIAN GEOGRAPHIC WEIGHTING (\$M)

■ CANBERRA
■ PERTH
■ BRISBANE
■ MELBOURNE
■ SYDNEY



STRATEGY



PORTFOLIO MANAGEMENT

Leverage market opportunities to create and realise value

BARRACK PLACE TARGETING

5.0star

NABERS ENERGY AND GREEN STAR RATINGS

628 BOURKE STREET SOLD AT PREMIUM BOOK VALUE OF

14%

EXCHANGED CONTRACTS ON 383 LA TROBE STREET AT PREMIUM TO BOOK VALUE OF

31%



BARRACK PLACE
151 CLARENCE STREET
SYDNEY NSW

DEVELOPMENT OF BARRACK PLACE, 151 CLARENCE STREET, SYDNEY

Investa will commence the development of Barrack Place after the building is vacated in February 2016. After achieving the Stage 2 development approval during the period, the project is progressing as anticipated and has a 28% pre-commitment from the global engineering company ARUP.

KEY HIGHLIGHTS INCLUDE:

- > Forecast ~7.5% yield on cost
- > Will deliver flexible ~1,200sqm floorplates in a highly desirable location
- > Attractive rent proposition for new A-grade office assets
- > Targeting 5.0 NABERS Energy and Green Star ratings



628 BOURKE STREET
MELBOURNE VIC

SALE OF 383 LA TROBE STREET AND 628 BOURKE STREET, MELBOURNE

628 Bourke Street settled in October 2014 at a 14% premium to the book value. This sale followed an extended period of leasing success, whereby Investa leased over 20,000sqm and extended the weighted average lease expiry from 2.3 years to 6.9 years. Proceeds from the sale were redeployed into 6 O'Connell Street, Sydney, which was acquired in June 2014 and is performing ahead of expectations, with a \$10.8 million valuation uplift reported at 30 June 2015.

Post balance date, Investa announced the sale of 383 La Trobe Street, Melbourne, for \$70.7 million. The sale is 2 cents accretive to NTA and reflects a 31% premium to the prior book value, and demonstrates Investa's commitment to unlocking value across the portfolio through asset management or seeking out potential buyers with aspirations for residential or mixed use development – which was the case with this asset.

BARRACK PLACE DEVELOPMENT TIMELINE

2015	2016	2017	2018
STAGE 2 PLANNING APPROVAL GRANTED	MARCH 2016 DEMOLITION	MID-2016 CONSTRUCTION COMMENCES	MID-LATE 2018 COMPLETION

HIGHLIGHTS

OVERVIEW

STRATEGY

PERFORMANCE

PORTFOLIO

DIRECTORIES

STRATEGY



ASSET MANAGEMENT

Address leasing risk
through proactive
and innovative asset
management

55,200sqm

OF LEASING OVER 124 DEALS

PICCADILLY AND
6 O'CONNELL STREET LEASED

16,100sqm

567 COLLINS STREET COMPLETED

78%

PRE-COMMITTED

LEASED IN BRISBANE

12,100sqm



6 O'CONNELL STREET
SYDNEY NSW



THE HIVE
295 ANN STREET
BRISBANE

ADDING VALUE FOR INVESTA TENANTS

Investa's dedicated office platform continues to de-risk future income risks, completing 124 deals totalling 55,200sqm during the period. Activity is being led by small tenants seeking high quality and affordable space, with the average lease size 445sqm at rents of \$655psm across the portfolio.

- > Success continued in Sydney with financial year 2014 acquisitions – Piccadilly and 6 O'Connell Street – both leasing well with 16,100sqm completed over the period
- > Fully leased in Melbourne, with 567 Collins Street completed and effectively 100% leased including income guarantee from Leightons
- > 12,100sqm of leasing deals completed in Brisbane

THE HIVE AT 295 ANN STREET, BRISBANE

Investa has been at the forefront of enhancing amenity and extended this during the period through The Hive, a club lounge concept constructed at 295 Ann Street, Brisbane. The creation of The Hive follows an extensive research project completed by Investa to provide IOF's tenants with flexible spaces where they can undertake focus work, collaborate, learn, socialise or simply take time out from their busy environment to relax. The Hive aims to provide an energising space inspired by a theme of theatrical design and pop up – with the design completely flexible with minimal fixed fit out, minimising the environmental impact of the project and allowing the space to evolve over time. Exclusive to IOF's tenants, the amenity extends to:

- > Providing the setting for businesses within IOF's assets to engage and collaborate
- > Providing flexible spaces for meetings, events and projects
- > Enhancing community creation for building occupants by hosting Investa-led events
- > Differentiate Investa's position in the market to drive tenant retention and leasing outcomes

STRATEGY



ASSET MANAGEMENT

**Delivered valuation
uplifts underpinned
by active asset
management**

After completing 185,000sqm of leasing in the past two years, IOF's assets feature long and secure income streams that continue to be highly sought after. \$126 million of valuation increases were reported for financial year 2015 after 97% of the portfolio was revalued.

The composition of IOF's portfolio, with a 78% weighting to Sydney and Melbourne, underpinned the valuation results – increasing 10% on average.

**PORTFOLIO VALUATIONS IN SYDNEY
AND MELBOURNE INCREASED BY**

10%

INCREASE OVER PRIOR BOOK VALUES

\$126 million

**30 JUNE 2015
VALUATION HIGHLIGHTS**



567 COLLINS STREET
MELBOURNE VIC

567 COLLINS STREET DEVELOPMENT

567 Collins Street, Melbourne, which IOF acquired in March 2013 at a cap rate of 6.7%, completed in July 2015. This new premium grade asset is 78% leased, with income support on the remaining vacancy for 4 years, and has been valued at 30 June 2015 at a cap rate of 5.875% – representing a valuation uplift over cost of \$33 million.

INNOVATIVE, OPEN AND FLEXIBLE WORK ENVIRONMENTS

567 Collins Street has been designed with large, flexible and efficient floorplates that appeal to occupiers of all sizes. Corrs Chambers Westgarth, one of Australia's leading law firms and an anchor tenant, sought a building and floorplate design that would build on the firm's culture of collaboration and excellence, whilst also offering outstanding building amenity, environmental efficiency and abundant natural light – all prominent features of this new premium grade asset.

STRENGTHENING PRESENCE OF THE CBD

The location and relatively affordable rents at 567 Collins Street make the building an attractive proposition for tenants seeking to centralise into the Melbourne CBD. Centralisation is a growing theme as the suburbs lose their scale and relevance as office markets and office buildings are being converted to other uses such as residential. Jemena, one of Australia's largest gas companies, has brought their staff together into 12,000sqm of office space at 567 Collins Street after moving from three separate locations. Critical to Jemena's decision to move to the building was proximity to public transport, efficiency of the large floorplates, and the high levels of retail and recreational amenity nearby.

MARKET LEADING RECREATIONAL AMENITY

The integration of Virgin Active Health Club (levels 4 and 5) provides amenity unique to this building and is a point of difference to competing assets. The health club is only in its infancy and has over 2,000 members, drawing more potential tenants to the building that generate activity in the precinct beyond typical business hours.

	Key Drivers	Cap rate change	Valuation impact
800 Toorak Road	Car park completion and start of new lease to Coles	-50bps	\$13.5m (+13%)
111 Pacific Highway	Reduced vacancy and cap rate compression	-75bps	\$15.9m (+11%)
105 Miller Street	October 2015 rent review and cap rate compression	-50bps	\$19.5m (+10%)
16 Mort Street	Cap rate compression	-25bps	\$7.3m (+9%)
99 Walker Street	Nearing supermarket completion, cap rate compression	-50bps	\$13.7m (+8%)
567 Collins Street	Building completion and cap rate compression	-38bps	\$18.9m (+8%)

STRATEGY



ASSET MANAGEMENT

Engage with tenants
to provide custom
leasing solutions
and amenities

TENANT SATISFACTION
WITH INVESTA AS OWNER

93%

WOULD RECOMMEND INVESTA
AS BUILDING MANAGER

86%

TENANTS WHO THINK
COMMUNICATION OF
SUSTAINABILITY INFORMATION
IS IMPORTANT TO THEIR
ORGANISATION

60%

TENANTS WHO THINK
NABERS ENERGY RATING
IS A SIGNIFICANT FACTOR IN
SELECTION OF OFFICE SPACE

57%



WHAT IS THE CUSTOMER CENTRIC SERVICE MODEL?

Dedicated, cross functional asset service teams:

- > Based within their local market to be more informed on local demand and supply activity
- > Being closer to their tenants means they can better service their needs
- > Building operations directly managed by Investa personnel
- > Directly accountable for the financial and operational performance of their portfolio

WHAT RESOURCES ARE AVAILABLE TO TENANTS?

- > Sustainability fact sheets
- > Sustainability Report
- > Building performance scorecards
- > Sustainability presentations and consultancy
- > INSITE tenant engagement program – selected buildings only

HOW WILL INVESTA IMPROVE?

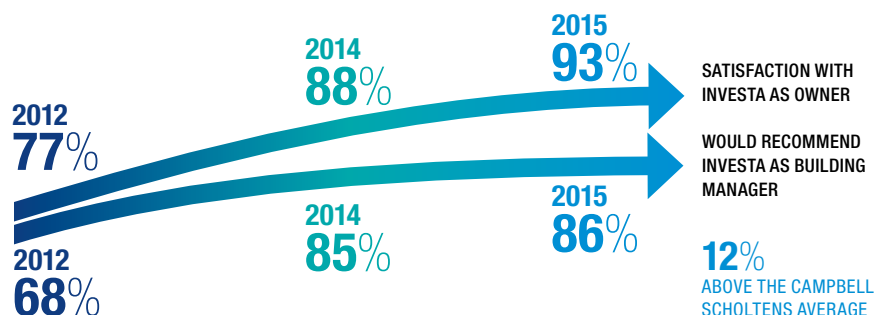
- > Focus on diversity in the workplace to improve operational and commercial performance
- > Expand tenant engagement activities to improve occupation experience
- > Further improve tenant satisfaction and advocacy scores

2015 TENANT SATISFACTION SURVEY RESULTS

Customer centricity continues to drive culture and behaviours

- > Delivers a customer focused culture
- > Achieves greater focus, accountability and cost savings
- > Increases tenant retention and rental income

INVESTA AS OWNER/MANAGER





TENANT ENGAGEMENT: IN-BUILDING COMMUNITY ACTIVATION

INSITE – TENANT ENGAGEMENT PROGRAM

Investa launched its INSITE tenant engagement program nationally in April 2015 with nine IOF buildings participating. As part of Investa's customer centric and tenant retention strategy, the program enhances building occupant and tenant experience, creating a greater sense of community within the buildings by providing opportunities for occupants to interact with each other and Investa's asset service teams.

Underpinned by an integrated tenant service portal and on-site or virtual concierge service, tenants can use INSITE to access a range of time saving services such as dry cleaning, catering, airport transfers and meeting rooms. Building occupants can also co-ordinate groups and meet-ups and access building news, performance data and exclusive offers and promotions.

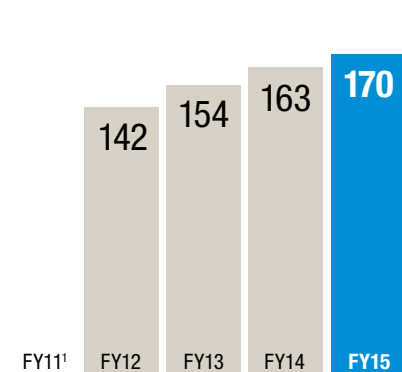


SINCE ITS LAUNCH, OVER 1,200 OCCUPANTS HAVE REGISTERED TO JOIN THE INSITE PORTAL. SERVICE TAKE UP HAS BEEN STRONG WITH OVER 200 TICKETS RAISED TO DATE.

PERFORMANCE RESULTS

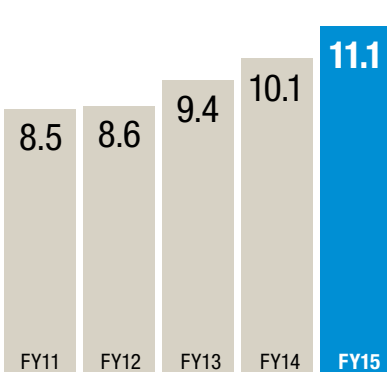
FUNDS FROM OPERATIONS (\$M)¹

Funds From Operations, our key metric of IOF's performance, continues to grow.



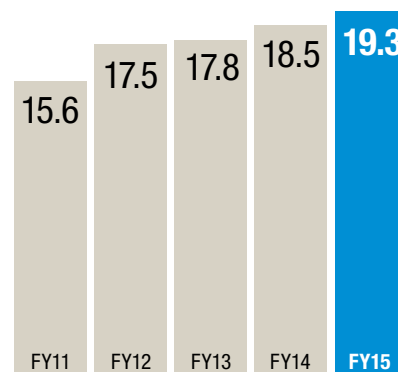
RESPONSIBLE ENTITY FEES (\$M)

The alignment of Responsible Entity fees with market capitalisation established in 2012 reflects the increase in the unit price over the last three years from \$2.91 to \$3.80.



TOTAL DISTRIBUTIONS PER UNIT (\$M)

IOF is committed to a sustainable distribution and targets a payout ratio of 95-100% of AFFO – a proxy for cash – through the cycle.



FIVE YEAR PERFORMANCE SUMMARY²

	Unit of Measure	FY2015	FY2014	FY2013	FY2012	FY2011
Financial						
Revenue	\$m	217.5	194.1	191.0	195.1	199.6
Responsible Entity fees	\$m	11.1	10.1	9.4	8.6	8.5
Net Profit (statutory)	\$m	179.2	183.6	158.7	101.9	143.9
Funds From Operations	\$m	169.9	162.6	153.5	141.8	— ¹
Funds From Operations per unit	cents	27.7	26.5	25.0	22.3	— ¹
Operating Earnings	\$m	143.5	140.6	137.5	128.1	135.6
Total Assets	\$m	3,321.2	3,142.5	2,723.8	2,502.6	2,504.8
Total Liabilities	\$m	1,098.3	1,084.1	737.2	575.8	488.0
Gearing Ratio (look-through)	%	28.8 ³	32.0 ³	26.3	21.9	20.5
Net Tangible Asset per unit	\$	3.62	3.35	3.23	3.14	2.92
Security holders						
No of unitholders	#	15,342	16,236	16,644	17,588	23,068
Units on Issue	millions	614.1	614.1	614.1	614.1	682.3
Securities on issue to top 20 unitholders ⁴	%	85.3	83.9	83.1	82.6	82.8
Market Capitalisation	\$bn	2.33	2.10	1.79	1.66	1.76
Total Distributions per unit	cents	19.25	18.5	17.75	17.5 ⁵	15.6

¹ The Responsible Entity considers the non-AAS measure, Funds From Operation (FFO), an important indicator of underlying performance of IOF. FFO was adopted as the primary measure of the underlying earnings from FY13 onwards. To calculate FFO, net profit attributable to unitholders is adjusted to exclude unrealised gains or losses, certain non-cash items such as the amortisation of tenant incentives, fair value gains or losses on investments and other unrealised or one-off items. IOF's FFO calculation is based on Property Council of Australia definition of FFO. Refer to the Annual Financial Report for the complete definition.

² Prior year balances have been recalculated where necessary for the 4:1 unit consolidation in 2012.

³ The methodology for the calculation of the gearing ratio has been amended during the period to reflect a look-through debt balance that includes the Group's Australian dollar exposure after hedging its USPPs. The impact on the 30 June 2014 ratio is that the gearing ratio has increased from 31.5%, to 32.0% under the new methodology.

⁴ Securities on issue to top 20 unitholders as at 31 August of each year.

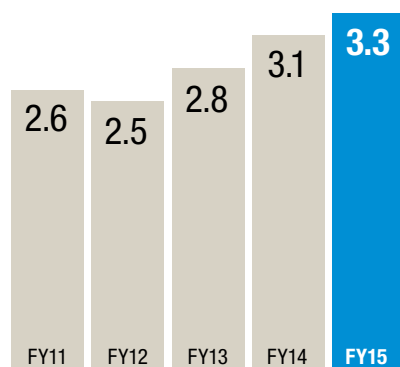
⁵ The financial year 2012 normal distribution was 15.6 cents. A special distribution of 1.9 cents was paid following the sale of offshore assets.

⁶ Environmental intensity statistics cover reporting period 1 April 2014 – 31 March 2015 and have been assured by KPMG. The KPMG Assurance Statement, including selected performance data and the relevant reporting criteria, can be found online at <http://www.investa.com.au/iof-sustainability-assurance>.

⁷ IOF assets joined the broader Investa waste and recycling program in FY13. This transition to new contracts includes provision for ongoing reporting.

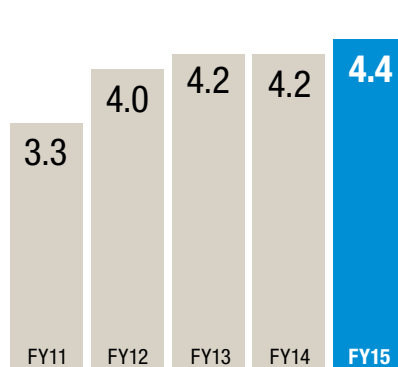
BOOK VALUE (\$BN)

The portfolio is now 100% based in Australia and continues to grow as the divestment proceeds are reinvested into assets which continue to show strong valuation improvements.



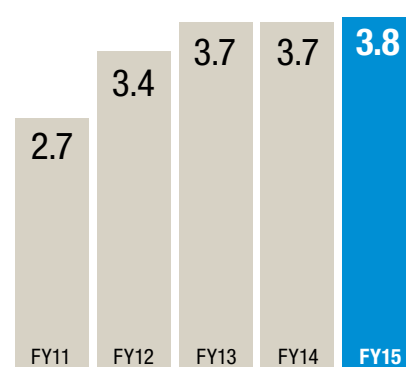
NABERS ENERGY (STARS)

NABERS ratings demonstrate the outcomes of strategic capital investment in energy saving initiatives, building infrastructure and active asset management.



NABERS WATER (STARS)

Following increased occupancy, stronger retail offerings and improved end-of-trip facilities, the NABERS Water rating remains stable despite strong results at a number of assets.



FIVE YEAR PERFORMANCE SUMMARY²

	Unit of Measure	FY2015	FY2014	FY2013	FY2012	FY2011
Operational						
Portfolio Occupancy	%	93	92	94	96	93
Weighted Average Lease Expiry	years	5.2	5.0	4.9	5.1	4.8
Investment Properties	#	22	24	23	20	23
Net Lettable Area (ownership %)	sqm	414,080	427,813	502,244	477,533	537,281
Total Book Value	\$bn	3.3	3.1	2.8	2.5	2.6
Australian Owned Assets	%	100	97	88	87	65
No of Tenants	#	446	437	312	312	336
Retention	%	62	68	56	79	61
Environmental⁶						
Net Lettable Area (metered)	sqm	459,760	411,045	409,458	303,641	303,641
Electricity metered consumption	MWh	37,209	34,617	36,098	27,773	31,537
Electricity consumption intensity	kWh/sqm/yr	81	84	88	91	104
Gas metered consumption	GJ	23,810	24,702	31,716	25,327	24,991
Gas consumption intensity	MJ/sqm/yr	73	77	99	134	133
Greenhouse Gas Emissions intensity	kg.CO ₂ -e/sqm/yr	73	78	86	86	99
Water metered consumption	kL	310,218	284,508	297,689	245,446	255,392
Water consumption intensity	L/sqm/yr	675	692	727	808	841
Waste total ⁷	tonnes	1,077	557	1,517	–	–
Waste recycled	%	52	46	34	–	–
NABERS Energy ratings	Stars	4.4	4.2	4.2	4.0	3.3
NABERS Water ratings	Stars	3.8	3.7	3.7	3.4	2.7

PORTFOLIO OVERVIEW



**100%
Australian
Focused**

“Our focus on redeploying capital to the Sydney and Melbourne markets positioned the portfolio to deliver an 8% increase on Net Tangible Assets.”

**MING LONG,
FUND MANAGER**

IOF owns a portfolio of high quality office assets in located in key CBD markets across Australia, with a total value of \$3.3 billion. Our strategy is to continue to enhance and build the portfolio in the four major Australian CBD markets of Sydney, Melbourne, Perth and Brisbane. During the period, Investa successfully finalised the exit of the offshore assets with the sale of Bastion Tower, Brussels, in December, delivering on the stated strategy to be 100% Australian.

TOTAL LETTABLE AREA

589,268sqm

TOTAL NUMBER OF ASSETS

22

OCCUPANCY

93%

WEIGHTED AVERAGE LEASE EXPIRY

5.2years

NABERS ENERGY RATING

4.4stars

NABERS WATER RATING

3.8stars

MARKET OVERVIEW

Key economic office market drivers have continued to strengthen over the last 12 months.

The non-mining sectors of the Australian economy are strengthening as mining investment wanes.

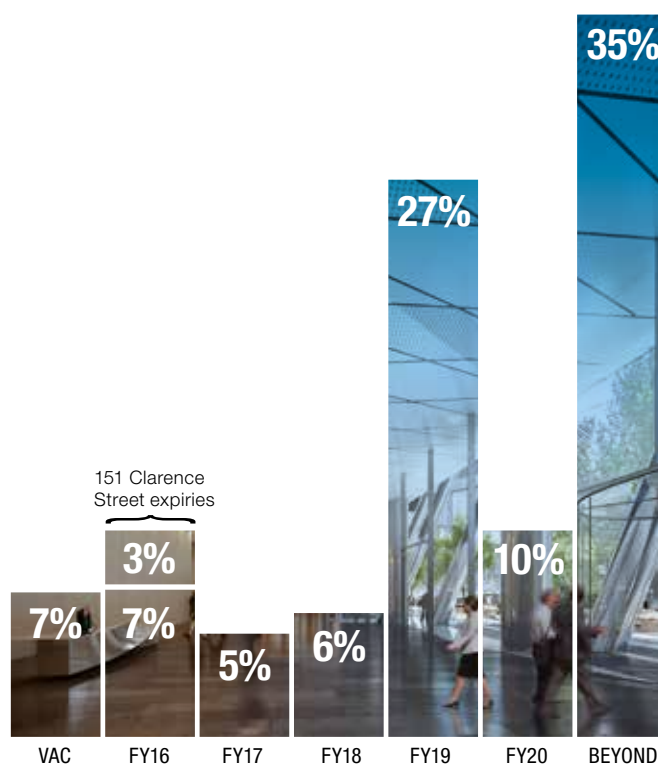
Business conditions and confidence have been steadily improving over the course of the year, with business services leading the way – however, fortunes are mixed by state and industry.

Tenant demand in Sydney and Melbourne has surged, with the Sydney CBD reporting the highest annual net absorption figure since 2006, and the Melbourne CBD reporting the largest since 2010. Additionally, both markets are being driven by smaller, sub-1,000sqm tenants who are seeking good quality and affordable accommodation as they move into growth mode.

Demand conditions have improved in the Brisbane CBD, and the contraction cycle appears to be complete. However, weakness remains in the poor quality end of the secondary market and there is a supply over-hang.

Perth is still adjusting to the slowdown of the resource sector. Whilst the rate of contraction in prime stock is slowing, vacancy is high at 17% and may worsen as new supply is delivered.

LEASE EXPIRY PROFILE BY INCOME



OUR PERFORMANCE SYDNEY

Sydney is exhibiting a strong recovery with demand almost double the long term average, placing downward pressure on vacancy rates. As a result, effective rental growth is escalating, and we expect this to continue as incentives wind back over the next 12 months.



OCCUPANCY

98%



BOOK VALUE

\$1.87bn



WEIGHTED AVERAGE
LEASE EXPIRY

4.4years



NABERS ENERGY RATING

4.4stars

OUTLOOK SYDNEY

Demand from larger finance and insurance tenants to emerge as cycle evolves

Effective rental growth in A and upper B-grade buildings to escalate

Cap rates likely to compress to near 2007 levels

PREMIUM GRADE OFFICE
DEUTSCHE BANK PLACE
126 PHILLIP STREET
SYDNEY NSW

Occupancy level	93%
Net Property Income	\$10.4m
NABERS Energy / Water rating (Stars)	4.5 / 3.5

A-GRADE OFFICE
347 KENT STREET
SYDNEY NSW

Occupancy level	100%
Net Property Income	\$23.5m
NABERS Energy / Water rating (Stars)	4.5 / 3.0

A-GRADE OFFICE
388 GEORGE STREET
SYDNEY NSW

Occupancy level	100%
Net Property Income	\$14.4m
NABERS Energy / Water rating (Stars)	4.5 / 4.0

A/B-GRADE OFFICE
PICCADILLY COMPLEX
133 CASTLEREAGH
STREET SYDNEY NSW

Occupancy level	98%
Net Property Income	\$12.5m
NABERS Energy / Water ¹ rating (Stars)	5.0 / 4.5

A-GRADE OFFICE
10-20 BOND STREET
SYDNEY NSW

Occupancy level	100%
Net Property Income	\$9.4m
NABERS Energy / Water rating (Stars)	5.0 / 3.5

B-GRADE OFFICE
6 O'CONNELL STREET
SYDNEY NSW

Occupancy level	94%
Net Property Income	\$9.0m
NABERS Energy / Water rating (Stars)	4.5 / 4.0

B-GRADE OFFICE
BARRACK PLACE
151 CLARENCE STREET
SYDNEY NSW

DEVELOPMENT

Occupancy level	99%
Net Property Income	\$5.8m
NABERS Energy / Water rating (Stars)	3.0 / 2.5

A-GRADE OFFICE
105 – 151 MILLER STREET
NORTH SYDNEY NSW

Occupancy level	100%
Net Property Income	\$11.2m
NABERS Energy / Water rating (Stars)	5.0 / 3.5

A-GRADE OFFICE
111 PACIFIC HIGHWAY
NORTH SYDNEY NSW

Occupancy level	94%
Net Property Income	\$8.4m
NABERS Energy / Water rating (Stars)	4.0 / 3.5

A-GRADE OFFICE
99 WALKER STREET
NORTH SYDNEY NSW

Occupancy level	97%
Net Property Income	\$9.0m
NABERS Energy / Water rating (Stars)	3.0 / 3.0

1. Piccadilly Complex includes 222 Pitt Street – NABERS Energy rating of 5.0 stars and Water rating 4.0 stars.

OUR PERFORMANCE MELBOURNE

Demand has strengthened in Melbourne, boosted by continued tenant centralisation into the CBD and Docklands. Supply under construction is now below average, and the future outlook for supply is relatively subdued thanks to some high profile potential developments being placed on hold. Accordingly, we have upgraded our forecast for medium term rental growth.



OCCUPANCY

100%



BOOK VALUE

\$643.0m



WEIGHTED AVERAGE
LEASE EXPIRY

8.2years



NABERS ENERGY RATING

3.8stars

OUTLOOK MELBOURNE

Broad-based
tenant demand
running ahead
of our forecast

Outlook for supply
improving thanks
to major projects
not proceeding

Capital markets
likely to continue
to strengthen

PREMIUM GRADE OFFICE
567 COLLINS STREET
MELBOURNE VIC



Occupancy level	100%
Net Property Income	NA
NABERS Energy / Water rating (Stars) ¹	5.0 / 5.0

A-GRADE OFFICE
TELSTRA GLOBAL
HEADQUARTERS
242 EXHIBITION STREET
MELBOURNE VIC



Occupancy level	100%
Net Property Income	\$16.9m
NABERS Energy / Water rating (Stars)	4.0 / 4.5

B-GRADE OFFICE
ROYAL MINT CENTRE
383 LA TROBE STREET
MELBOURNE VIC



Occupancy level	100%
Net Property Income	\$4.6m
NABERS Energy / Water rating (Stars)	2.5 / 2.5

B-GRADE OFFICE
800 TOORAK ROAD
MELBOURNE VIC



Occupancy level	100%
Net Property Income	\$6.3m
NABERS Energy / Water rating (Stars) ²	NA / NA

1. Target of 5.0 star NABERS ratings.
2. Building managed by the tenant.

OUR PERFORMANCE BRISBANE

After a period of weak demand, conditions are now improving in Brisbane. We are starting to see some signs of expansion from non-mining sectors of the economy, particularly smaller tenants and larger business service users. Encouragingly, there is now evidence of centralisation, with some tenants choosing to relocate back to the CBD – a trend we expect to continue.



OCCUPANCY

78%



BOOK VALUE

\$458.5m



WEIGHTED AVERAGE
LEASE EXPIRY

4.3years



NABERS ENERGY RATING

4.7stars

OUTLOOK BRISBANE

Non-mining related demand to escalate, boosted by the falling Australian dollar

Withdrawals of redundant office stock to limit impact of impending supply in 2016

Rents likely to have passed through the cyclical trough



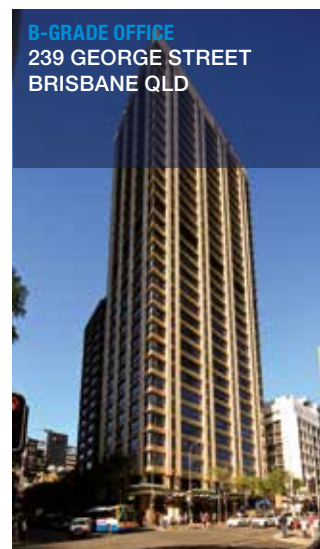
Occupancy level	65%
Net Property Income	\$6.7m
NABERS Energy / Water rating (Stars)	4.5 / 4.0



Occupancy level	80%
Net Property Income	\$5.7m
NABERS Energy / Water rating (Stars) ¹	5.5 / 4.0



Occupancy level	100%
Net Property Income	\$1.3m
NABERS Energy / Water rating (Stars) ¹	5.5 / 4.0



Occupancy level	92%
Net Property Income	\$9.6m
NABERS Energy / Water rating (Stars) ²	4.5 / 4.0



Occupancy level	73%
Net Property Income	\$2.5m
NABERS Energy / Water rating (Stars) ²	4.5 / 4.0

1. NABERS rating applies to both 295 Ann Street and 232 Adelaide Street.
2. NABERS ratings applies to both 239 George Street and 15 Adelaide Street.

HIGHLIGHTS

OVERVIEW

STRATEGY

PERFORMANCE

PORTFOLIO

DIRECTORIES

OUR PERFORMANCE PERTH



OCCUPANCY

80%



BOOK VALUE

\$158.2m



WEIGHTED AVERAGE
LEASE EXPIRY

3.7years



NABERS ENERGY RATING

4.5stars

Perth continues to face headwinds, with demand impacted by worsening conditions in the resource sector and new supply imminent. As a result, we expect the vacancy rate to remain elevated for some time. However, there is evidence emerging that the upgrade cycle is well underway with tenants now looking to shift to better quality space. As a result, it is likely that some buildings with poor amenity and weak environmental credentials become structurally vacant as they struggle to compete with institutional grade stock.



Occupancy level	65%
Net Property Income	\$7.1m
NABERS Energy / Water rating (Stars)	3.5 / 2.5



Occupancy level	100%
Net Property Income	\$6.2m
NABERS Energy / Water rating (Stars)	5.5 / 4.5

OUTLOOK PERTH

Falling commodity prices continue to drive rationalisation of mining tenants

Cyclical vacancy will likely hit a high point over the year as supply comes on line

Slow and steady recovery will be driven by moderate expansion of business services



OUR PERFORMANCE CANBERRA



OCCUPANCY

99%



BOOK VALUE

\$85.0m



WEIGHTED AVERAGE
LEASE EXPIRY

10.6years



NABERS ENERGY RATING

5.0stars

OUTLOOK CANBERRA

Government-led demand to pick up over the next 12 months

Demand for secondary grade space likely to remain weak as tenants upgrade

Risk of new developments prolonging elevated vacancy levels

Tenant demand continues to be weak in Canberra, and over the last 12 months occupied stock has fallen despite government taking up more space over the last 6 months. Although Canberra has little stock under construction, there is significant risk that new buildings are constructed for government 'super departments' that require large floorplates and modern facilities, which may place greater pressure on existing stock to compete.



Occupancy level	99%
Net Property Income	\$3.9m
NABERS Energy / Water rating (Stars)	5.0 / 5.0

HIGHLIGHTS

OVERVIEW

STRATEGY

PERFORMANCE

PORTFOLIO

DIRECTORIES

INVESTOR RELATIONS

The IOF website, www.investa.com.au/IOF contains important information on the Fund including recent annual reports and Australian Securities Exchanges (ASX) announcements, historical information about distributions paid, unit pricing and units on issue. While visiting the site, unitholders can access Link Market Services' website, the registry provider for IOF. Link Market Services manages the IOF unit registry and can assist with investment details including holding balances and payment history.

Approach to Investor Relations

The Fund's unitholder base is made up of both institutional and private investors. The management team regularly engage and communicate with all investors through a specific schedule undertaken throughout the year. This includes the results presentations, immediately following the release of the financial statements to the ASX in August and February each year, which provide investors with a detailed overview of the Fund's performance for the relevant period.

Unitholders

Our private unitholders are a valued part of our unitholder base and are actively encouraged to provide feedback and communicate throughout the year.

Our institutional unitholders constitute a large majority of IOF's unitholder base and are provided with opportunities to provide feedback and communicate with management via our annual reporting schedule.

Annual general meeting

The annual general meeting of unitholders provides all unitholders with an opportunity to engage directly with the Directors and senior management, and to question the Board and Chairman on matters relating to the business of the Fund. A detailed presentation on the performance and management of the Fund is lodged with the ASX and delivered by the Fund Manager and Chairman at the meeting.

Annual reporting suite

During the year unitholders are also provided with Fund updates via the annual reporting suite and the half year review. Any material announcements during the year are lodged with the ASX and are available on the ASX website and the IOF website www.investa.com.au/IOF

Roadshows and investor meetings

Undertaken after the Fund's results presentation each year, management provides an opportunity for investors, analysts and the media to meet one-on-one or in small forums directly with senior management of the Fund throughout Australia, Asia, US and Europe.

Industry conferences

Throughout the year management promotes the Fund by attending various industry conferences, meeting with existing and potential investors and providing further clarification on the Fund's operations, strategy and competitive advantage.

ASX listing

Investa Office Fund is listed on the ASX. The ASX code for the Fund is "IOF". Units in the Fund trade on the ASX in the same manner as shares in a listed company. Unitholders wishing to trade their units will need to use the services of a stockbroker or online broking facility.

Annual taxation statement

The Fund produces the annual tax statement at the end of August each year. This statement advises the taxable income for the financial year ended 30 June. Unitholders may view their financial year 2015 annual taxation statement by visiting www.investa.com.au/IOF and accessing "Investor Login" on the landing page.

Distribution payments

The Fund pays distributions half-yearly in August and February.

Distribution payments to unitholders with registered addresses in Australia will only be made by direct credit to their nominated bank account. Unitholders with registered addresses outside of Australia will receive payment by the same method as they have nominated.

You will continue to receive a distribution statement in the form nominated by you (electronic or paper) for your tax records. Please provide details of your nominated bank account to our share registrar, Link Market Services. If your banking instructions are not received by the record date for each distribution, your distribution payment will be retained by Investa Office Fund until your banking instructions are received after which the full amount will be paid into your nominated bank account.

Distribution reinvestment plan

The distribution reinvestment plan (DRP) is currently switched off. Should this change, an ASX announcement will be made to the market and participation forms will be sent to unitholders.

On-market buy back

There is no current on-market buy back.

Disposal and acquisition of stapled securities

Investa Office Fund is a stapled security consisting of units in both PCP Trust and AJO Fund. The sale (or acquisition) of units in IOF represents the sale (or acquisition) of separate interests in each of the two entities. For capital gains tax purposes, the acquisition costs and disposal proceeds need to be apportioned to each of the two entities, using a reasonable basis of apportionment.

One possible method of apportionment is on the basis of the relative net assets (excluding minority interest) of the individual entities comprising IOF, which is set out in the following table as at 31 December 2014 and 30 June 2015.

	31 December 2014	30 June 2015
PCP Trust	57.5%	58.3%
AJO Fund	42.5%	41.7%

Units on issue

The number of IOF units on issue currently stands at 614,047,458.

Unitholder meetings

The annual general meeting of unitholders for IOF is currently scheduled to be held in November 2015. All unitholders will be sent a Notice of Meeting approximately one month in advance to advise of the agenda and venue for the meeting. Details of the location will also be made available on the IOF website. Additional unitholder meetings may occur at other times during the year and unitholders will be advised in writing of the details.

2015/2016 Key dates¹

Distribution paid for half year ended 30 June 2015	31 August 2015
FY2015 Annual Taxation Statements available	31 August 2015
Annual General Meeting	November 2015
Half year results for six months to 31 December 2015 released to ASX	18 February 2016
Distribution payment for half year ended 31 December 2015	29 February 2016
Annual results for year to 30 June 2016 released to ASX	18 August 2016
Distribution paid for half year ended 30 June 2016	31 August 2016
FY2016 Annual Taxation Statements available	31 August 2016
FY2016 Annual Report available	September 2016

Enquiries

If a unitholder wishes to advise of a change of address, altered or closed bank account to which distributions are directed, or wishes to advise a tax file number, then please contact IOF's registry provider as follows:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Phone: Freecall (+61) 1300 851 394
Fax: +61 2 9287 0303
Email: investa@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Enquiries about IOF can be directed to the Investor Relations representative as follows:

Investa Property Group
Level 6 Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000
Phone: Freecall 1300 130 231 (within Australia)
or +61 2 8226 9497 (outside Australia)
Fax: +61 2 9844 9360
Email: investorrelations@investa.com.au

Complaints

Any unitholder wishing to register a complaint should direct it to the Investor Relations representative of ILFML in the first instance.

Investor Relations Representative
Investa Listed Funds Management Limited
Level 6 Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000
AUSTRALIA
Phone: 1300 130 231 (within Australia)
or +61 2 8226 9497 (outside Australia)
Fax: +61 2 9844 9300
Email: investorrelations@investa.com.au

Investa Listed Funds Management Limited is a member of an independent dispute resolution scheme, the Financial Ombudsman Service (FOS). If a unitholder believes that a complaint remains unresolved or wishes that it is further investigated, the FOS can be contacted as below:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
AUSTRALIA
Phone: 1300 780 808
Fax: +61 3 9613 6399
Email: info@fos.org.au

Investa Listed Funds Management Limited is committed to ensuring the confidentiality and security of personal information.

1. These timings are indicative only and subject to change.

GLOSSARY

Term	Meaning
AUM	Assets under management
AASB	Australian Accounting Standards Board
AIFRS	Australian equivalents to International Financial Reporting Standards
AJO	Armstrong Jones Office Fund (ARSN 090 242 229)
ASX	ASX Limited (ABN 98 008 624 691) trading as Australian Securities Exchange, which is the main Australian marketplace for the trading of equities, government bonds and other fixed interest securities.
Board	The Board of Directors of the Responsible Entity.
Bps or basis points	A basis point is a common unit of measure for interest rates and other percentages. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001), and is used to denote the percentage change in a financial instrument.
CBD	Central Business District refers to the business and financial area of an Australian state capital city.
CDP	Carbon Disclosure Project is an independent not-for-profit organisation that works with investors, businesses and governments to benchmark organisations' greenhouse gas emissions.
Directors	Directors of the Responsible Entity
DOF	Dutch Office Fund is an unlisted wholesale fund that has a portfolio of Dutch office properties that are predominantly located throughout the four major markets of the Netherlands.
DPU	Distributions per unit
ESG	Environmental Social Governance
FFO	Property Council Funds From Operations defined as the Funds's underlying and recurring earnings from its operations, determined by adjusting statutory net profit (under AIFRS) for non-cash and other items such as the amortisation of tenant incentives and rent free periods, fair value gains/losses on investment property, fair value gains/losses on the mark to market of derivatives, the straight lining of rent, non-FFO deferred tax benefits and expenses, foreign currency translation reserves recognised in net profit, and any other unrealised or one-off items.
GRESB	Global Real Estate Sustainability Benchmark, from the GRESB Foundation, an investor-led organisation committed to assessing the sustainability performance of real estate portfolios around the globe.
GRI	Global Reporting Initiative are voluntary international reporting guidelines to ensure completeness, transparency, materiality and boundary setting of corporate reporting. A 'GRI Index' covers environmental, social and financial report contents.
IBC	Independent Board Committee consisting of the Independent Directors, Deborah Page, Peter Rowe and Peter Dodd established in preparation for a potential transaction regarding the sale of the Investa Office Management platform.

Term	Meaning
ILFML	Investa Listed Funds Management Limited (ACN 149 175 655)
Independent Directors	Deborah Page, Peter Rowe and Peter Dodd, who are external directors within the meaning of sub-section 601JA(2) of the Corporations Act 2001.
Investa or the manager	Investa Office, or the manager of IOF, is one of Australia's largest office owners and managers and provides an integrated property platform incorporating property services, funds, portfolio and asset management services and development and sustainability services.
Investa Sustainability Institute (ISI)	Investa Office established ISI in 2009 to facilitate action research for sustainability in the built environment. ISI engages in collaborative ventures between Investa Office and organisations with shared interests including academia, industry and professional bodies and government.
IOF or the Fund	Investa Office Fund, which comprises of the AJO Fund and the PCP Trust.
IOM	Investa Office Management Pty Ltd
IPG	Investa Property Group consisting of two business units, Investa Office and Investa Land
Management Platform	Consisting of Investa Office Management which is the parent of the Fund's Responsible Entity, ILFML, the Management Platform executes the strategy by appointing personnel and providing asset and property management services to the Group's investment property portfolio.
NABERS	National Australian Built Environment Ratings System, is a national rating system that measures the environmental performance of Australian buildings, tenancies, homes, shopping centres and hotels.
NLA	Net Lettable Area
non-AAS measure	A financial measure not in accordance with Australian Accounting Standards.
NTA	Net Tangible Assets
Operating earnings	A non-AAS measure used by the Responsible Entity to measure underlying performance of the Group prior to FY13. To calculate Operating earnings, net profit attributable to unitholders is adjusted to exclude unrealised gains or losses, certain non-cash items, fair value gains or losses on investments and other amounts that are non-recurring or capital in nature.
PCP Trust	Prime Credit Property Trust (ARSN 089 849 196)
Responsible Entity or RE	Investa Listed Funds Management Limited (ACN 149 175 655)
S&P	Standard & Poor's
Unit	A stapled security in IOF consisting of one unit in AJO Fund stapled to one unit in PCP Trust or a unit in AJO Fund or PCP Trust, as the context requires.
United Nations Principles for Responsible Investment	United Nations Principles for Responsible Investment, proclaimed by the UN Secretary-General in 2005 are put into practice through a voluntary framework for investors to incorporate ESG issues into decision-making and ownership practices.
USPP	US Private Placement

CORPORATE DIRECTORY

Investa Office Fund

Armstrong Jones Office Fund
ARSN 090 242 229

Prime Credit Property Trust
ARSN 089 849 196

Responsible Entity

Investa Listed Funds Management Limited (ILFML)
ACN 149 175 655 AFSL 401414

Registered Office

Deutsche Bank Place
Level 6, 126 Phillip Street
Sydney NSW 2000 Australia

Phone: +61 2 8226 9300
Fax: +61 2 9844 9300

Email: investorrelations@investa.com.au
Website: www.investa.com.au/IOF

Directors of ILFML

Deborah Page AM (Chairman)
Peter Dodd
Peter Rowe
Scott MacDonald
Jonathan Callaghan
Campbell Hanan (Alternate)

IOF Fund Manager

Ming Long

Company Secretary

Jonathan Callaghan

ASX Code

IOF

Unit Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1235
Ph: 1300 851 394 (local call cost)
or: +61 2 8280 7912 (outside Australia)
Fax: +61 2 9287 0303

Email: investa@linkmarketservices.com.au

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

DISCLAIMER

This Annual Review was prepared by Investa Listed Funds Management Limited (ACN 149 175 655 and AFSL 401414) on behalf of the Investa Office Fund, which comprises the Prime Credit Property Trust (ARSN 089 849 196) and the Armstrong Jones Office Fund (ARSN 090 242 229). Information contained in this Review is current as at 30 June 2015 unless otherwise stated.

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CONTACT DETAILS

If you have any questions about IOF's reporting or questions in relation to your unitholding, please call the unitholder information line on **+61 1300 851 394**.

Further information about the Fund can be accessed and downloaded at **investa.com.au/IOF**

IOF2015onlinereport.investa.com.au

INVESTA LISTED FUNDS MANAGEMENT LIMITED

Level 6, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000
T +61 2 8226 9300
F +61 2 9844 9300

ACN 149 175 655 AFSL 401414

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