


Investec Property Fund Limited

REVIEWED INTERIM RESULTS, CASH DIVIDEND
AND NOTIFICATION OF FINANCIAL ASSISTANCE
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022


INVESTEC PROPERTY FUND LIMITED

Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number: 2008/011366/06
Share code: IPF
Bond code: INV
ISIN: ZAE000180915
Income tax reference number: 9332/719/16/1
("IPF" or "the Fund")

The board of directors of IPF is pleased to announce the results for the six months ended 30 September 2022:

Highlights

- Strong portfolio metrics in both regions
- SA portfolio stable and maintained strong growth momentum
 - Base NPI¹ up 8.3% driven by strong letting in industrial and steady recovery in retail
 - Vacancy at 7.1% (Sep-22) but reduced to 5.2% in Oct-22 post further letting* (Mar-22: 4.5%)
- Underlying PEL portfolio continues to outperform
 - Base NPI¹ up 2.7% driven by positive rental reversions, improved letting activity and indexation
 - Normalised DIPS declined by 21% (in EUR) and 13% (in ZAR), impacted by higher corporate and tax costs and rising interest rates
 - Corporate structure being simplified and will realise savings within 6-12 months
 - Vacancy reduced to 1.2% (Mar-22: 2.3%)
 - 99% expiring space let at 6.7% positive reversion
- Distributable income per share (DIPS) up 2.7% to 53.77997 cents per share (cps)
 - 6.8% if normalised for the excess rental guarantee in prior year
- H1 FY23 dividend of 51.09097 cps (up 2.7% from H1 FY22)*
- 95% pay-out ratio maintained
- Stable balance sheet with 38.3% LTV (Mar 22: 38.2%)
- R5.3bn debt refinancing nearing completion*
- Debt rating reaffirmed and stable outlook maintained*
- ESG strategy on track to meet targets

	Reviewed 31 September 2022	Reviewed 31 September 2021	Movement (%)
Revenue (ZAR'000) ²	791 509	757 053	5%
Operating profit (ZAR'000) ²	531 399	490 371	8%
Distributable earnings per share (cents) ²	53.78	52.39	3%
Net asset value per share (ZAR) ³	1 736	1 672	4%
Basic and diluted earnings per share (cents) ⁴	92.56	55.08	68%
Headline and diluted headline earnings per share ⁴	93.45	69.34	35%

* Event occurred subsequent to year-end but before issue of results.

¹ Measure of growth in base NPI and refers to comparison between the same portfolio of properties i.e., adjusted for properties acquired or disposed.

² Increase driven by strong letting and reduced vacancy in industrial and recovery of retail debtors.

³ Period-on-period increase largely driven by the impact of foreign exchange on the PEL investment.

⁴ Period-on-period increase due to the increase in net property income, significant reduction in interest expense, no fair value adjustments of South African properties and foreign exchange gains on investments.

FY23 Interim Dividend

The Fund hereby declares an H1 FY23 interim dividend of 51.09097 cps (R411m) in respect of the six months ended 30 September 2022. This represents a 95% pay-out ratio of H1 FY23's distributable earnings of 53.77997 cps.

In accordance with IPF's status as a REIT, shareholders are advised that the cash dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act. Compliance with REIT regulations requires payment of a dividend within 4 months of the Fund's FY23 year-end.

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are, however, exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated Shares, or the Fund, in respect of certificated Shares, a declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is exempt from dividends tax in terms of section 64F and a written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the exemption change or if the beneficial owner ceases to be the beneficial owner.

If resident shareholders have not submitted the above-mentioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT are subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ('DTA') between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 40.87278 cps. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the above-mentioned documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend, if such documents have not already been submitted.

Salient dates relating to the interim dividend

Declaration of dividend	Wednesday, 16 November 2022
Last day to trade in order to receive distribution (cum-dividend)	Monday, 12 December 2022
Shares trade ex-dividend	Tuesday, 13 December 2022
Record date for shareholders to receive dividend	Thursday, 15 December 2022
Dividend payment date	Monday, 19 December 2022

Shares may not be rematerialised or dematerialised between commencement of trade on Tuesday, 13 December 2022 and close of trade on Thursday, 15 December 2022, both days inclusive.

Prospects and guidance

South Africa:

The macroeconomic outlook is expected to remain muted, impeded by loadshedding, heightened political risk and rapidly slowing global economic growth. Based on the resilience demonstrated to date, the Fund remains confident that the growth momentum achieved in H1 will continue into H2.

Europe:

The positive asset-level trends in the sector are expected to persist and further NPI growth is anticipated in H2, driven by positive reversions, low vacancy and indexation-linked leases. The Fund will look to unlock further value from the existing portfolio, both at an asset level through active asset management and driving rental growth, and at a corporate level by simplifying the corporate structure. The potential impact on the consumer and tenant base from rising inflation, energy costs and interest rates remain unknown. And the benefits arising from cost containment initiatives will only be realised within 6-12 months.

The current rising interest rate environment cannot be ignored, especially the accelerated rate of change being experienced globally, with EUR interest rates having moved from negative to c.1.5% this year. Debt hedged with a cap within PEL will have an impact on H2 performance. The management team will continue to explore opportunities to further reduce financing costs and mitigate against interest rate risk.

Balance sheet:

IPF's balance sheet remains robust with LTV expected to remain stable. With the recently completed debt refinance, there are limited debt maturities and refinancing risk in H2 FY23 and the balance sheet has sufficient capacity to support future growth.

Guidance:

In both regions, H2 NOI is anticipated to be consistent with H1 FY23, given the stable performance of the SA business and continued sector tailwinds underpinning the growth of PEL NOI. In the absence of any external factors, the Fund would have expected to achieve its previous full year guidance of low single-digit DIPS growth. However, given the significant change in interest rates, particularly in Europe, H2 earnings will be adversely impacted and the Fund has tempered its full year guidance to be marginally negative.

Financial assistance

Notice in terms of section 45(5) of the Companies Act No. 71 of 2008, as amended

Shareholders are advised that at the annual general meeting of the Fund held on 1 August 2022, shareholders approved and passed a special resolution in terms of section 45 of the Companies Act No. 71 of 2008, as amended (the Act) authorising the Fund to provide financial assistance to among others, related or inter-related companies of the Fund.

Shareholders are hereby notified that in terms of S45(5)(b) of the Companies Act No. 71 of 2008, as amended, the board of directors of the Company authorised the issue of guarantees and suretyships to third parties for finance and other facilities granted by those third parties to wholly-owned subsidiaries of the Company during the period 1 April 2022 to 30 September 2022.

The board has confirmed that, after considering the reasonable foreseeable financial circumstances of the Company, it is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test, as contemplated in terms of section 4 of the Act, and that the terms under which such financial assistance was given were fair and reasonable to the Company.

Further information

The directors of IPF are responsible for the preparation and fair presentation of this short-form announcement and its contents.

The reviewed interim condensed consolidated financial results for the six months ended 30 September 2022 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at our registered office together with the financial statements identified in the auditor's report.

This short-form announcement is a summary of the information of and does not contain full or complete details, any investment decision should be based on the full announcement available at: <https://senspdf.jse.co.za/documents/2022/jse/isse/IPF/HY22.pdf> and on the IPF website at: <http://bit.ly/3hME79b> under "Financial Results". In addition, copies may be requested via email on: InvestecPropertyFund@investec.co.za. The full announcement is available on request at: InvestecPropertyFund@investec.co.za from Wednesday, 16 November 2022.

Link to results call

The Fund will host a presentation on the interim results via webcast today at 14:00 (SA time). A virtual question and answer session will be accommodated during the presentation.

The webcast can be accessed via the following link: <https://www.corpcam.com/IPF16112022>

Johannesburg
16 November 2022

Sponsor
Investec Bank Limited