

INVESTEC PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Reg. No: 2008/011366/06)

Approved as a REIT by the JSE

Share Code: IPF

Bond Code: INV

ISIN: ZAE000180915

(“Investec Property Fund” “IPF” or “the Fund”)

UPDATE REGARDING PROPOSED INTERNALISATION OF ASSET MANAGEMENT FUNCTION

*Unless otherwise defined, capitalised terms bear the same meanings to that in the announcement (the “**Announcement**”) published on SENS on 1 March 2023.*

1. BACKGROUND

IPF Shareholders are referred to the Announcement wherein they were advised that IPF has entered into, *inter alia*, a binding agreement for the internalisation of its entire asset management function across South Africa and Europe, which is currently undertaken by Investec (“**Proposed Internalisation Transaction**”) for an aggregate purchase consideration of R975,000,000 to be settled by:

- R390,000,000 of consideration from the sale of the Disposal Properties being set-off against an equivalent portion of aggregate consideration owing by IPF;
- a cash payment of R260,000,000; and
- a deferred cash payment of R325,000,000, payable as follows:
 - o R125,000,000 payable on the first anniversary of the Closing Date; and
 - o R200,000,000 payable on the second anniversary of the Closing Date.

2. UPDATE REGARDING THE PROPOSED INTERNALISATION TRANSACTION

2.1 As noted in the Announcement, and corroborated through broader subsequent IPF shareholder engagement, IPF has received strong support for the strategic rationale for the Proposed Internalisation Transaction.

2.2 Based on IPF’s track record of delivery and growth over the last 11 years, in combination with the current pipeline of opportunities, the Board and Investec are confident in IPF delivering on its stated strategy. As such, the Board and Investec have sought to further align Investec’s interests with those of IPF Shareholders by agreeing an earn-out mechanism based on the future growth of the IPF portfolio.

2.3 Accordingly, the headline consideration of R975,000,000 has been reduced by R125,000,000 to R850,000,000 via the introduction of an earn-out, whereby:

2.3.1 Investec will put R125,000,000 (c.12.8% discount to the original headline consideration) of the Deferred Consideration at risk in terms of an earn-out (“**Earn-out**”), linked to the growth in the existing assets under management (“**AUM**”) as at 31 March 2023 in excess of a minimum annual growth threshold over three years, with AUM defined broadly as:

- 2.3.1.1 assets on IPF's balance sheet including properties and securities; and
 - 2.3.1.2 funds under management in terms of the third-party capital strategy (including IPF's proprietary investments which form part of such funds under management).
- 2.4 The Earn-out amount of R125,000,000 will be payable annually over three years if IPF achieves an increase in AUM of more than R1bn per annum provided that there has been a cumulative increase of at least R3bn in the AUM in excess of the minimum annual growth threshold over the three year period, on the basis that if an increase of R6bn has been achieved, the full Earn-out amount will be payable ("**AUM Growth Targets**"). The Earn-out amount payable will be pro-rated depending on the increase in AUM achieved during the period under measurement. There will also be a catch-up or clawback mechanism at the end of the three-year period.
- 2.5 Therefore, the headline consideration of R850,000,000 will be settled as follows:
 - 2.5.1 R390,000,000 of consideration from the sale of the Disposal Properties being set-off against an equivalent portion of aggregate consideration owing by IPF (no change to previously announced terms);
 - 2.5.2 a cash payment of R260,000,000 (no change to previously announced terms); and
 - 2.5.3 a deferred cash payment of R200,000,000 (change from the previously announced R325,000,000), where:
 - 2.5.3.1 R100,000,000 will be payable in 12 months; and
 - 2.5.3.2 R100,000,000 will be payable after 24 months.
- There is no impact in terms of short-term financial effects or LTV given the Earn-out has reduced Deferred Consideration
- 2.6 The introduction of the Earn-out provision ensures further alignment between Investec and IPF, specifically focused towards the growth of IPF's Funds Management strategy. In the event IPF achieves the AUM Growth Targets, the net benefit to IPF exceeds the cost of the Earn-out, both in terms of the successful delivery of IPF's strategy and as a result of the additional revenue generated from the increased AUM. Given the operational capacity within the team, the majority of additional fees earned during the Earn-out period will result in an increase in the IPF EBIT and therefore the value for IPF shareholders. As such, the costs relating to the payment of the Earn-out should be fully funded by these additional revenue streams from the additional AUM.
- 2.7 The board also wishes to quantify the agreed cost contributions from Investec, which were not explicitly disclosed under the previously announced Proposed Internalisation Transaction. Investec will contribute approximately R45,000,000 to the ongoing sustainability of the business, including contributions to the following:
 - 2.7.1 management retention;
 - 2.7.2 IT systems; and

2.7.3 rebranding.

3. **SHAREHOLDER SUPPORT**

IPF has received updated formal and informal indications of support in connection with the Proposed Internalisation Transaction from IPF Shareholders who collectively hold approximately 27.4% of IPF shares in issue, representing approximately 36.2% of the voting shares (excluding IPF shares held by Investec), confirming their intention to vote in favour of the Proposed Internalisation Transaction on behalf of their clients where they hold the requisite authority to do so.

4. **SHAREHOLDER CIRCULAR**

As stated in the Announcement, the Proposed Internalisation Transaction constitutes a category 2 related party transaction in accordance with the JSE Listings Requirements requiring IPF Shareholder approval (50%, excluding the votes of Investec and its associates). The circular relating to the Proposed Internalisation Transaction is expected to be posted on or about 17 April 2023, with the general meeting to be held on or about 17 May 2023. Further announcements in this regard will be published in due course.

5. **AVAILABILITY OF SHAREHOLDER PRESENTATION**

An IPF Shareholder presentation setting out an illustrative example of the Earn-out described in paragraphs 2.4 and 2.6 above is available on the Funds website at:

https://www.investecpropertyfund.com/en_za/investor-relations/presentations.html#presentations

The financial information in this announcement has not been reviewed or reported on by IPF's auditors or reporting accountants.

Johannesburg

3 April 2023

Financial Advisor and Sponsor in respect of the Manco Internalisation and Property Disposals

Merrill Lynch South Africa Proprietary Limited t/a BofA Securities

Financial Advisor to Investec Limited in respect of the Manco Internalisation and Property Disposals

Investec Bank Limited

Legal Advisor to IPF

Cliffe Dekker Hofmeyr Inc.

Legal Advisor to Investec Limited

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BDO Corporate Finance Proprietary Limited

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