



VUKILE

PROPERTY FUND

REAL ESTATE. REAL GROWTH.

Results presentation



INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2015

VUKILE
PROPERTY FUND
REAL ESTATE. REAL GROWTH.

www.vukile.co.za



VUKILE
PROPERTY FUND
REAL ESTATE. REAL GROWTH.

AGENDA

- 01** Highlights
- 02** Financial performance
- 03** Portfolio performance and overview
- 04** Acquisitions, disposals and developments
- 05** Corporate activity and strategy
- 06** Questions



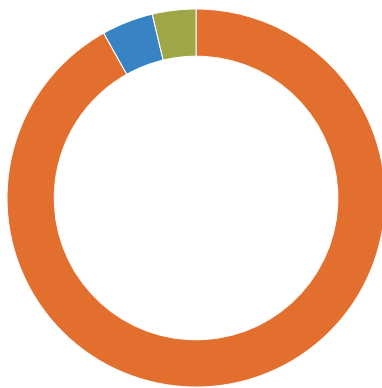
NOTES:



TOTAL ASSETS

Setting the scene

- Growing exposure to complementary and strategic listed assets in addition to our direct portfolio
- Growing development exposure through Joint Venture's with leading developers
- Provide feedback on all areas going forward



	R' Billion	%
Direct	14.6	92
Listed	0.7	4
Development	0.6	4
Total	15.9	100



3

HIGHLIGHTS

Laurence Rapp



www.vukile.co.za



4

NOTES: _____



HIGHLIGHTS

- 7.0% increase in the first half distribution
- Strong operational performance
 - Vacancies contained at 4.7% of GLA
 - Like-for-like net property revenue growth of 6.1%
 - Positive reversions across all sectors – average 9.6%
 - 44% of leases now expiring in 2019 and beyond
- Acquisition of three retail shopping centres at a total cost of R846 million
- Acquisition of two regional mall developments at a cost of R600 million
- Successful equity raise of R1.1 billion in May 2015
- Successful refinancing of R1.4 billion debt and DMTN bonds during the reporting period
- Gearing ratio of 27.8% with 83.5% of debt hedged
- Achieved Level 3 BEE rating



5

FINANCIAL PERFORMANCE

Mike Potts



REAL ESTATE. REAL GROWTH.

www.vukile.co.za

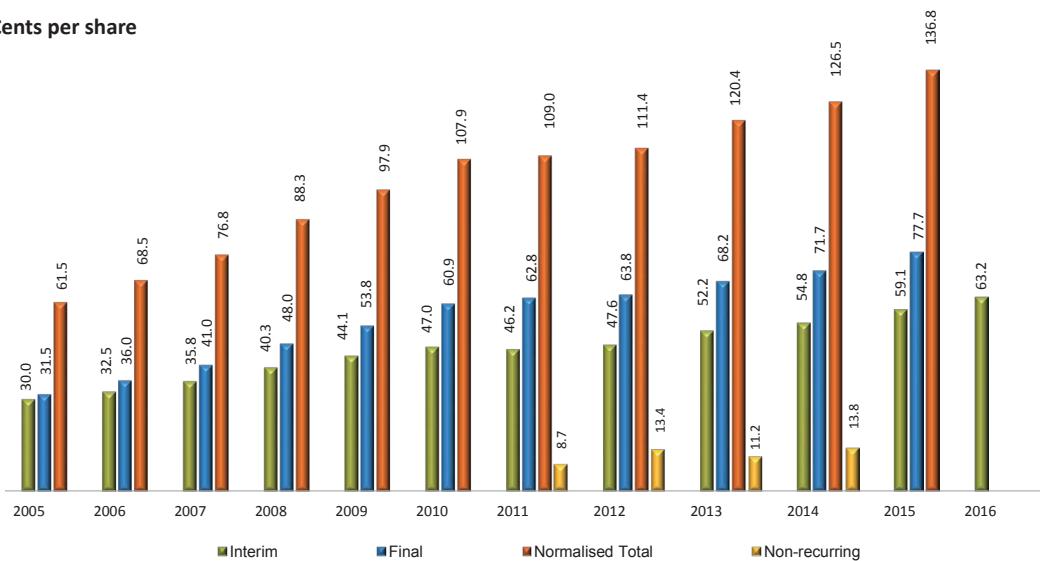


NOTES:

DISTRIBUTION HISTORY

11 years of unbroken growth in distributions

Cents per share



7

SIMPLIFIED INCOME STATEMENT

	Sep 2015 R'm	Sep 2014 R'm	Variance R'm	Variance %
Group net rental income	637.0	469.0	168.0	35.8
Asset management business - income	12.0	11.8	0.2	1.7
Corporate and asset management expenses	(44.8)	(34.5)	(10.3)	(29.9)
Net finance costs	(146.0)	(104.6)	(41.4)	(39.6)
Taxation	(6.9)	(7.9)	1.0	12.7
Profit for period	451.3	333.8	117.5	35.2
Less: Allocated to non-controlling interest	(25.0)	-	-	-
Profit attributable to Vukile Group	426.3	333.8		
Less: Distribution on shares issued post 31 March 2015	(48.2)	-		
NON IFRS ADJUSTMENTS				
Shares issued cum distribution	61.5	-		
Dividends receivable from Fairvest	13.3	-		
Asset management income	4.0	-		
Available for distribution	456.9	333.8		



8

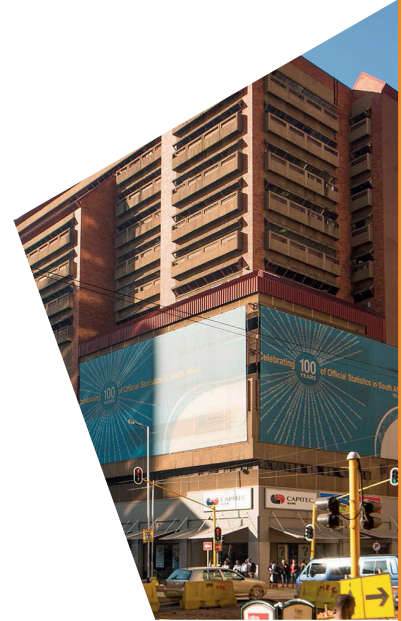
NOTES: _____



SIMPLIFIED INCOME STATEMENT

Strong like-for-like growth of 6.1%

	Sep 2015 R'm
Stable portfolio	25.3
Properties acquired in prior year	9.5
Properties acquired in current year	27.8
Sovereign portfolio	1.9
Synergy portfolio	99.3
Sold properties	1.0
Net interest reclassified	3.2
	168.0



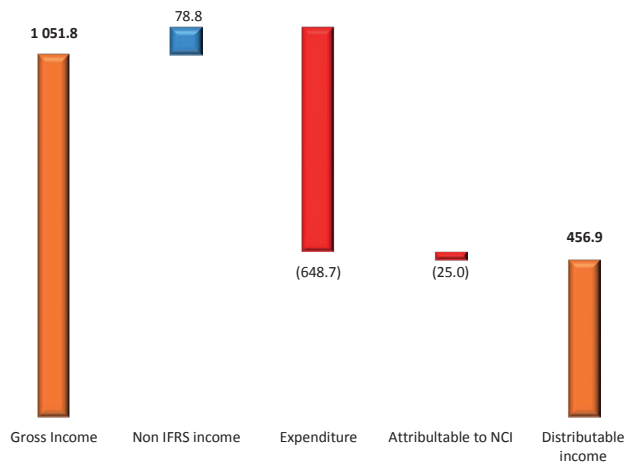
9



GROUP NET INCOME ANALYSIS

Distributable income – (R'000)

Group Income



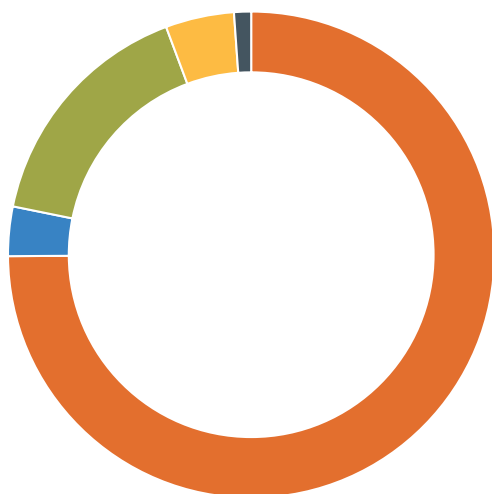
10

NOTES:



GROUP NET INCOME ANALYSIS

Income R1 051.8 million



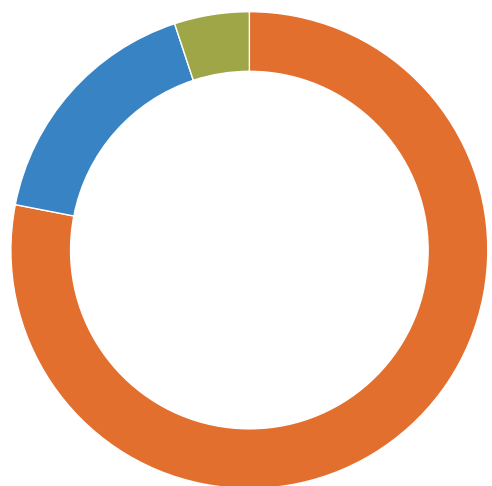
	R'000	%
Rental income and other	R787 827	75.0
Investment and other income	R34 530	3.0
Electricity and water services recovered	R169 598	16.0
Rates and taxes recovered	R47 943	5.0
Asset management business income	R11 886	1.0

11



GROUP NET INCOME ANALYSIS

Non IFRS adjustments R78.8 million



	R'000	%
Shares issued cum dividend	61 530	78.0
Dividends receivable from Fairvest ex-dividend date post 30 September 2015	13 302	17.0
Asset management income arising on sale of business to Sanlam	4 000	5.0

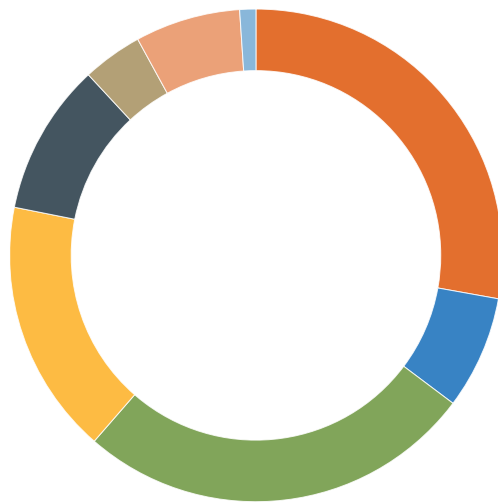
12

NOTES: _____



GROUP EXPENDITURE ANALYSIS

Expenses R648.7 million

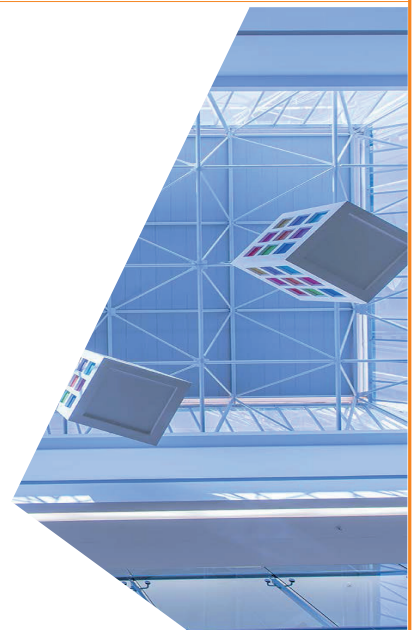
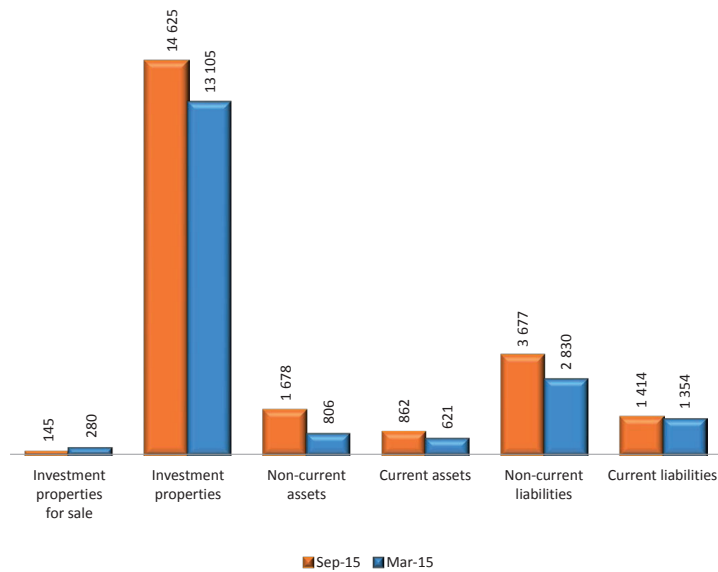


	R'000	%
Finance costs	R180 491	28
Distribution on shares issued post 31 March 2015	R 48 188	7
Electricity and water costs	R169 614	26
Property expenses	R108 555	17
Rates and taxes	R 64 630	10
Property management fees	R 25 554	4
Corporate and asset management expenses	R 44 803	7
Tax	R 6 868	1

13



GROUP BALANCE SHEET - (R'm)



14

NOTES:

BAD DEBT AND ARREARS ANALYSIS

Prudent provisioning policy

- Tenant arrears increased by R11.5 million from R51.1 million at March 2015 to R62.6 million at September 2015
- Doubtful debt allowance decreased by R4.1 million from R27.4 million at March 2015 to R23.3 million at 30 September 2015.
- The doubtful debt allowance expected to approximate 1.5% of gross rental income for the year ending 31 March 2016, which is slightly higher than previous impairment allowances

Sep 2015
R'000

▪ Doubtful debt allowance 1 April 2015	27 379
▪ Allowance for receivable impairment for the six month period	826
▪ Receivables written off as uncollectable	(4 864)
▪ Doubtful debt allowance at 30 September 2015	23 341
Bad debt write-off per the statement of comprehensive income	8 516

15

GROUP DEBT STRUCTURE

Conservatively geared and well hedged

	Sep 2015	Sep 2014
Gearing ratio	27.8%	23.6%
Loan to value ratio net of available cash	28.0%	25.3%
% Interest bearing term debt hedged	83.5%	89.4%
Forecast annualised cost of finance	8.45%	8.20%

SWAPS

- Restructured and new swaps of R612 million were entered into during the interim period to hedge new debt raised to finance acquisitions at a cost of 8.74%, including bank margins
- Average swap maturity profile : 2.9 years

SWAPS EXPIRY PROFILE – (R'm)

	Calendar year					
	2016	2017	2018	2019	2020	Total
R'm	470	792	709	485	683	3 139
%	15.0%	25.2%	22.6%	15.5%	21.7%	100.0%

16

NOTES: _____



VUKILE DEBT STRUCTURE (excluding Synergy)

Fixed interest bearing debt

Fixed rate debt (R'm)	Fixed interest rate (%)
June 2020	9.41
February 2020	9.02
September 2018	9.05
July 2018	9.39
May 2018	8.73
March 2018	8.49
November 2017	8.92
May 2017	8.91
April 2017	9.15
March 2017	8.14
September 2016	8.56
May 2016	8.48
April 2016	8.53
March 2016	6.74



17



VUKILE DEBT STRUCTURE (excluding Synergy)

Variable interest bearing debt

Variable rate debt (R'm)	Variable interest rate (%)
November 2017	8.74
March 2016	7.27
February 2016	7.97



18

NOTES:



SYNERGY DEBT STRUCTURE

Fixed interest bearing debt

	Fixed rate debt (R'm)	Fixed interest rate (%)
June 2019	80.0	9.83
July 2017	50.0	10.15
June 2017	60.0	9.58
May 2017	90.0	9.14
May 2017	146.7	8.36
June 2016	40.0	9.21



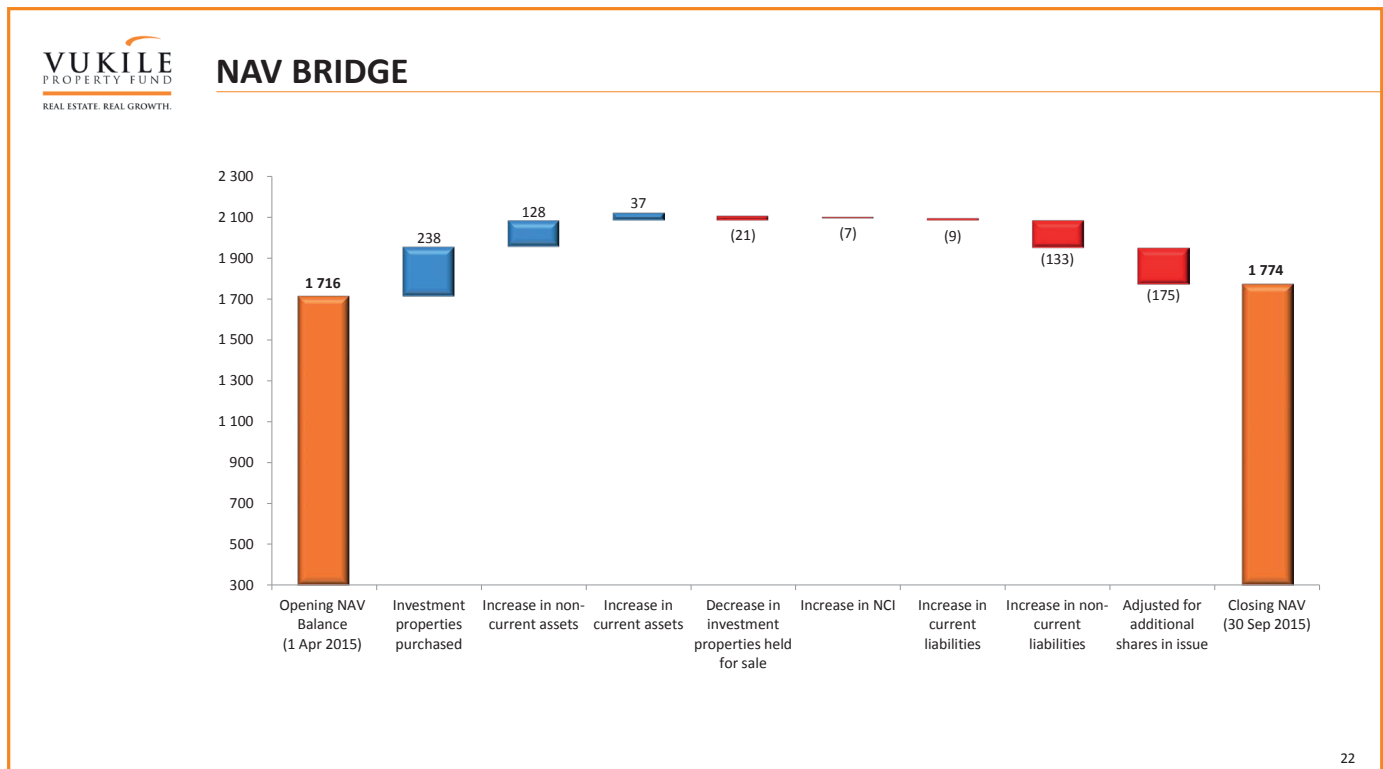
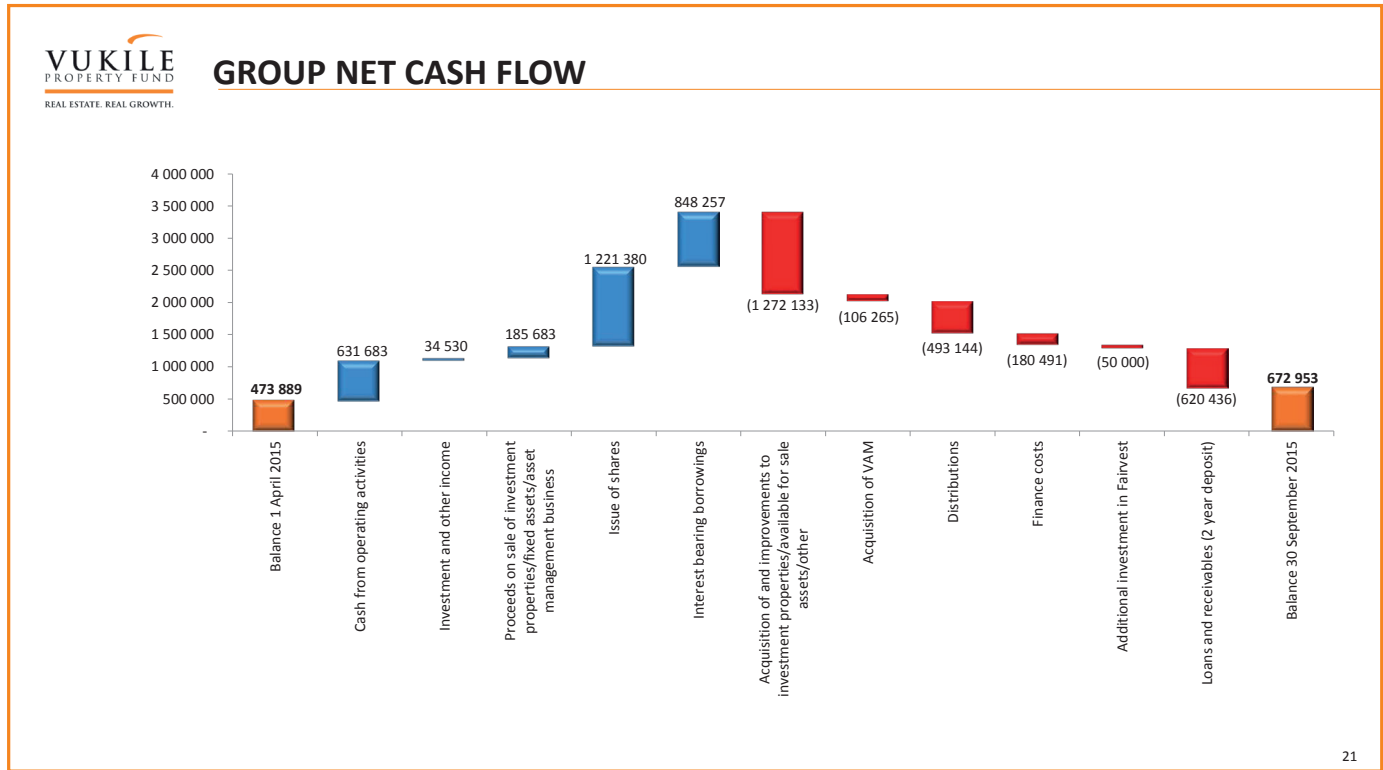
SYNERGY DEBT STRUCTURE

Variable interest bearing debt

	Variable rate debt (R'm)	Variable interest rate (%)
September 2019	83.6	8.32
September 2019	19.0	8.59
October 2018	201.9	7.92
September 2017	50.0	7.82
June 2017	121.0	8.74
May 2017	28.3	8.39



NOTES: _____

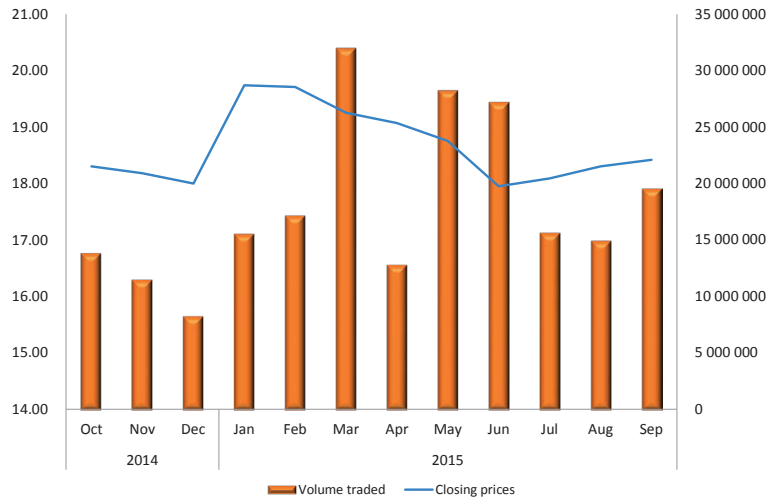


NOTES:



SHARE PRICES AND TRADING VOLUMES

Closing price and trading volumes – 1 October 2014 to 30 September 2015



PROPERTY PORTFOLIO PERFORMANCE AND OVERVIEW

Ina Lopion



www.vukile.co.za



NOTES: _____



OVERVIEW

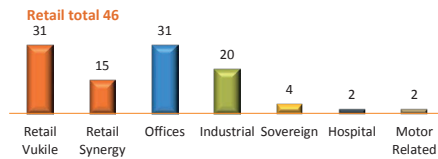
Valuation parameters

	Total	Vukile	Synergy
▪ Number of properties	105	90	15
▪ GLA	1 400 167m ²	1 200 245m ²	199 922m ²
▪ Valuation	R14.6 billion	R12.2 billion	R2.4 billion
48% of portfolio valued externally, values in line with director's valuations			
▪ Average value per property	R139 million	R136 million	R163 million
▪ Average discount rate	14.2%	14.3%	13.8%
▪ Average exit capitalisation rate	9.7%	9.9%	8.9%

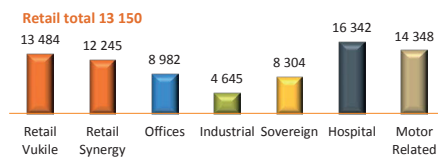


VALUATION PARAMETERS

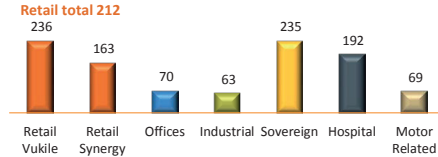
Number of properties (105)



Value per m² (R10 461/m²)



Average value per property (R139m)



NOTES:

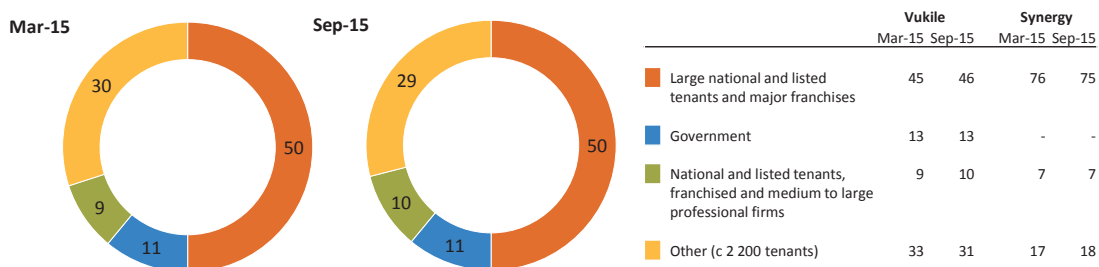


LEASING AND TENANT EXPOSURE

For the six months ended 30 September 2015 leases were concluded with:

- Total contract value R983 million
 - Total rentable area 176 441m²
- Lease renewals 66% of leases were renewed or are in the process of being renewed.

Tenant exposure: (% of GLA)

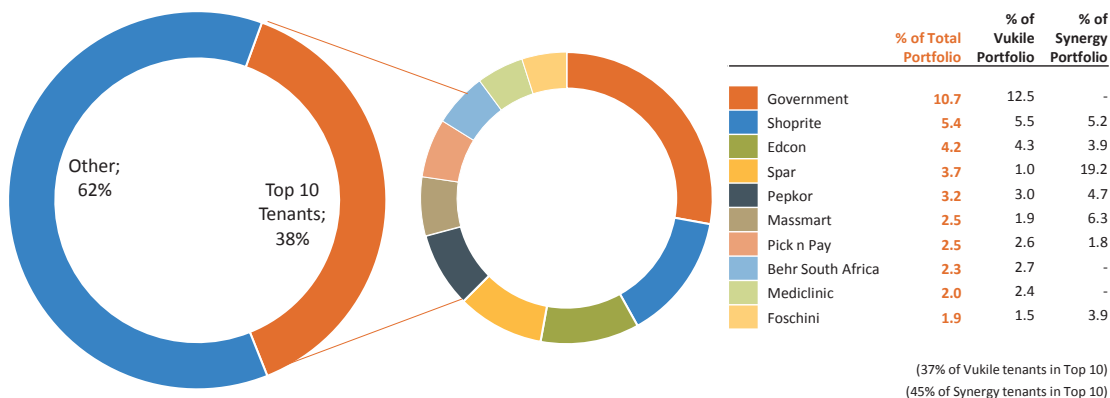


27



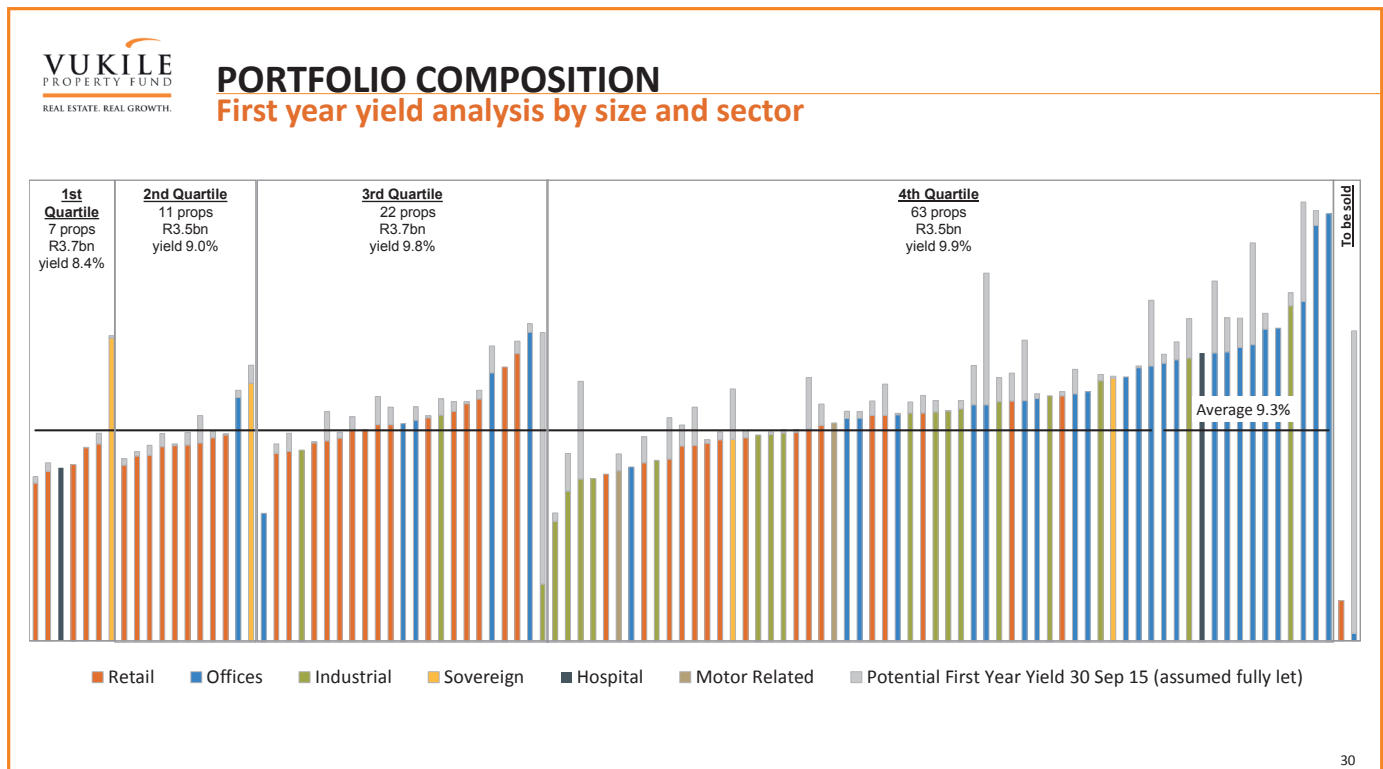
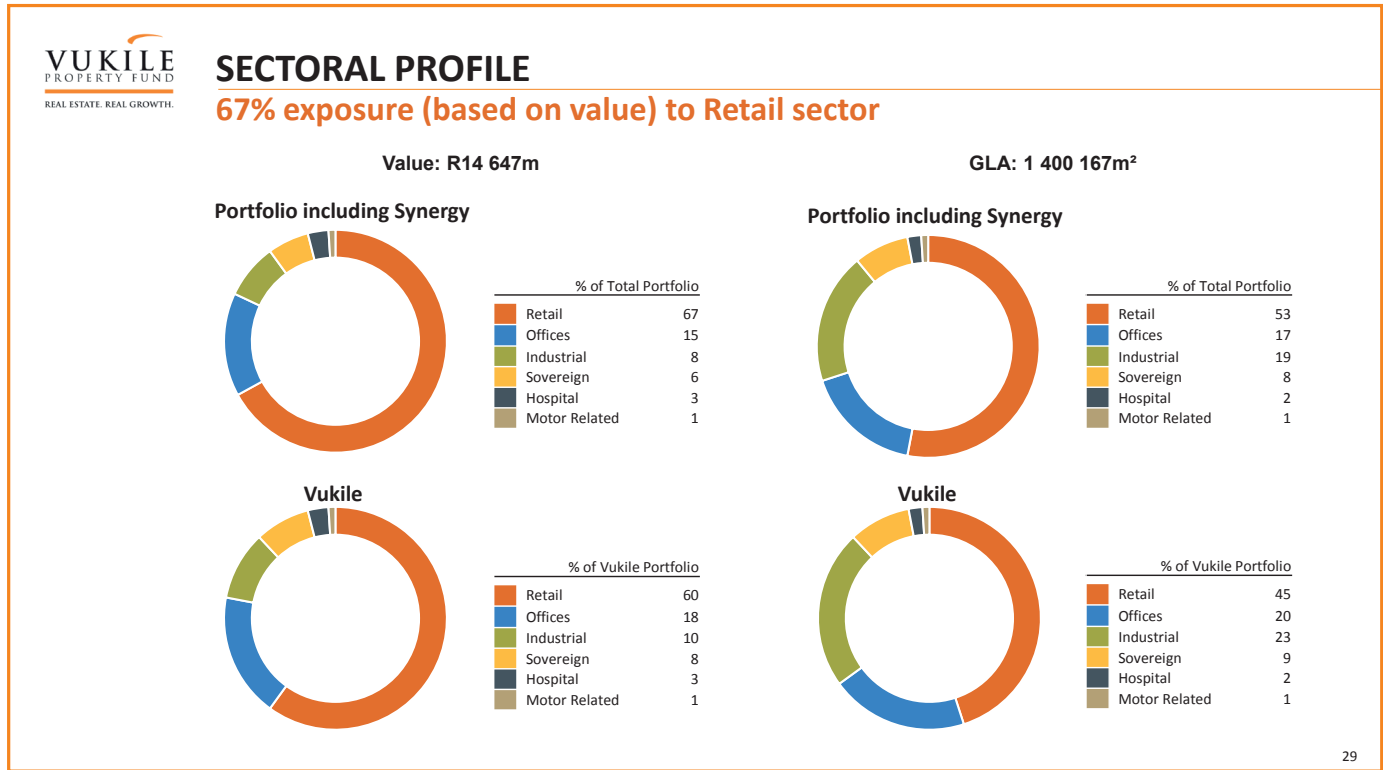
TENANT EXPOSURE TOP 10 TENANTS

% of GLA








28

NOTES: _____



NOTES: _____






10 LARGEST RETAIL PROPERTIES

	East Rand Mall	Phoenix Plaza	Gugulethu Square	Dobsonville Shopping Centre	Pine Crest
					
Value #	R1 071m (7.3%) 50% share	R 690m (4.7%)	R 441m (3.0%)	R 397m (2.7%)	R 357m (2.4%) 50% share
Region	Boksburg Gauteng	Durban KwaZulu-Natal	Gugulethu Western Cape	Soweto Gauteng	Pinetown KwaZulu-Natal
Gross lettable area	63 460m ²	24 363m ²	25 322m ²	23 177m ²	40 112m ²
Monthly Rental *	R 242/m ²	R 219/m ²	R 123/m ²	R 120/m ²	R 146/m ²
National Tenant exposure	90%	79%	90%	83%	94%
Average annual trading density	30 254	32 735	28 576	31 733	25 154
Major Tenants	Edgars 8 140m ² 13% Woolworths 7 636m ² 12% Ster Kinekor 3 190m ² 5% Mr Price 3 162m ² 5% Truworths 3 032m ² 5%	Shoprite Checkers 3 830m ² 16% The Hub 2 456m ² 10% Jet Stores 1 154m ² 5% First National Bank 901m ² 4% Clicks 823m ² 3%	Shoprite Checkers 3 500m ² 14% Spar 2 924m ² 12% Jet Stores 1 508m ² 6% Cashbuild 1 320m ² 5% First National Bank 883m ² 3%	Shoprite Checkers 3 644m ² 16% Jet Stores 2 000m ² 9% Pep Stores 1 326m ² 6% Fruit and Veg City 1 000m ² 4% Mr Price 711m ² 3%	Game Stores 5 556m ² 14% Pick n Pay 5 508m ² 14% Woolworths 2 792m ² 7% The Hub 2 610m ² 7% Virgin Active 2 350m ² 6%

% of total portfolio in brackets
 * Average base rental excluding recoveries

31

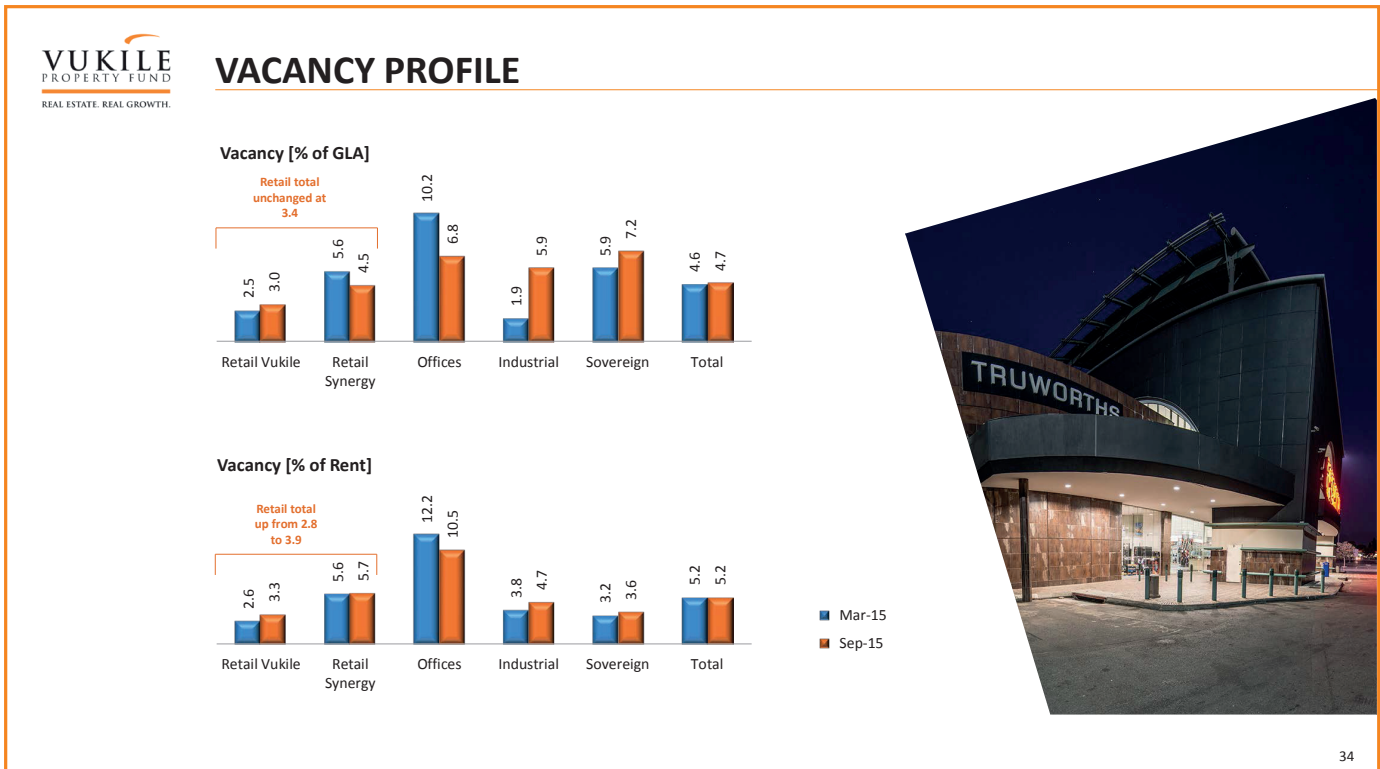
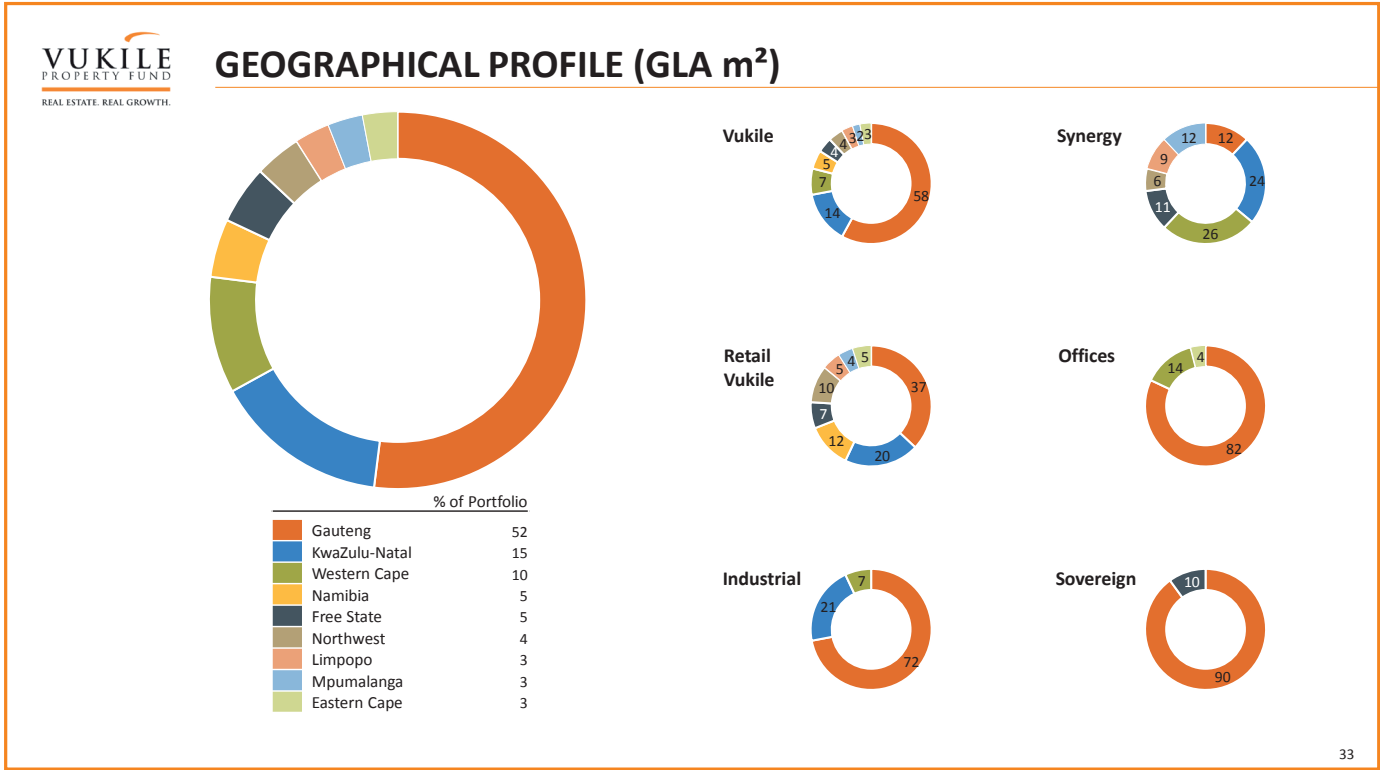
10 LARGEST RETAIL PROPERTIES

	Randburg Square	Nonesi Mall	Oshakati Shopping Centre	Moruleng Mall	Atlantis City Shopping Centre
					
Value #	R 356m (2.4%)	R 350m (2.4%)	R 336m (2.3%)	R 336m 80% share (2.3%)	R 317m (2.2%)
Region	Randburg Gauteng	Queenstown Eastern Cape	Oshakati Namibia	Moruleng Northwest	Atlantis Western Cape
Gross lettable area	40 874m ²	28 147m ²	24 632m ²	31 421m ²	22 115m ²
Monthly Rental *	R 87/m ²	R 101/m ²	R 109/m ²	R 100/m ²	R 123/m ²
National Tenant exposure	85%	96%	92%	81%	80%
Average annual trading density	17 824	21 784	27 348	19 257	27 377
Major Tenants	OK Bazaars 8 463m ² 21% Woolworths 3 037m ² 7% Gym Company 2 723m ² 7% Edgars 1 685m ² 4% Jet Stores 1 500m ² 4%	Game Stores 4 819m ² 17% Shoprite Checkers 3 175m ² 11% Pick n Pay 3 033m ² 11% Woolworths 1 908m ² 7% Edgars 1 500m ² 5%	Game Stores 3 706m ² 15% Pick n Pay 2 713m ² 11% Edgars 1 502m ² 6% Jet Stores 1 289m ² 5% Pep Stores 954m ² 4%	Shoprite Checkers 4 550m ² 14% Pick n Pay 2 645m ² 8% Edgars 2 000m ² 6% Truworths 1 400m ² 4% Lifestyle Furnishers 949m ² 3%	Shoprite Checkers 3 639m ² 16% Pick n Pay 2 930m ² 13% Jet Stores 769m ² 3% Atlantic Fisheries 648m ² 3% OK Furniture 594m ² 3%

% of total portfolio in brackets
 * Average base rental excluding recoveries

32

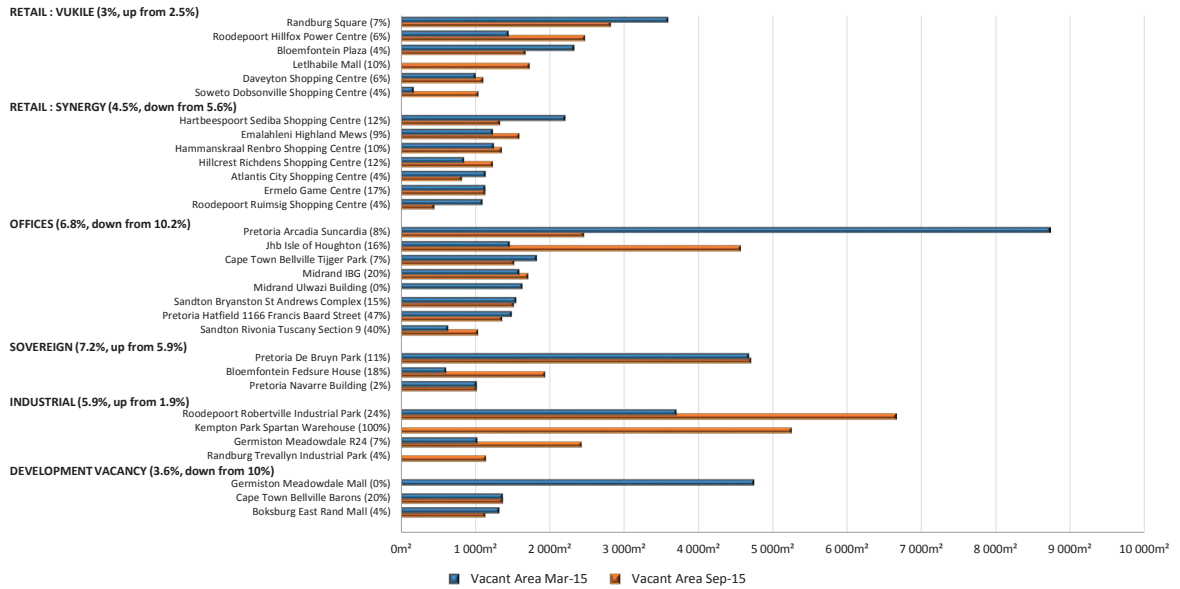
NOTES: _____



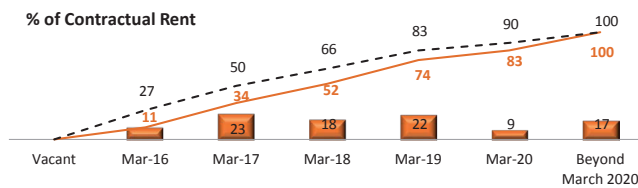
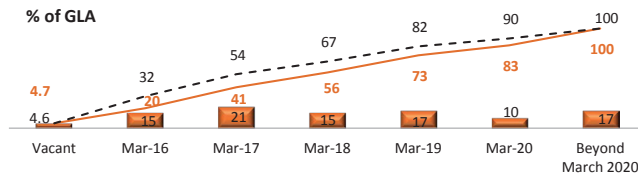
NOTES: _____



INDIVIDUAL PROPERTIES VACANCY PROFILE (% OF GLA) Vacancy > 1 000m²



EXPIRY PROFILE Total portfolio - 44% expiring in 2019 and beyond



	Vacant	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Beyond
% of GLA	Vukile	4.7	20	41	57	74	82
	Synergy	4.5	20	38	51	70	87
% of Contractual Rent	Vukile	11	35	53	75	82	100
	Synergy	10	32	49	68	87	100

█ GLA / Rent
 — Cumulative as at Sep-15
 - - - Cumulative as at Mar-15

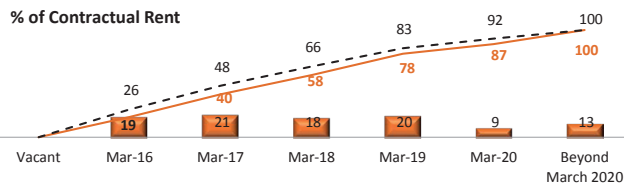
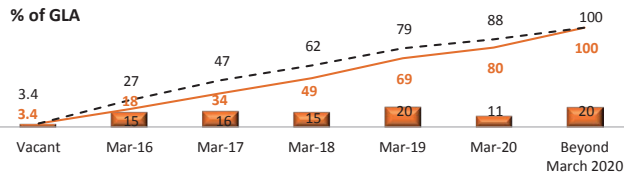


NOTES: _____



EXPIRY PROFILE

Retail portfolio - 51% expiring in 2019 and beyond



		Vacant	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Beyond
% of GLA	Vukile	3.0	19	34	50	70	78	100
	Synergy	4.5	20	38	51	70	87	100
% of Contractual Rent	Vukile	13	32	52	75	83	100	
	Synergy	10	32	49	68	87	100	

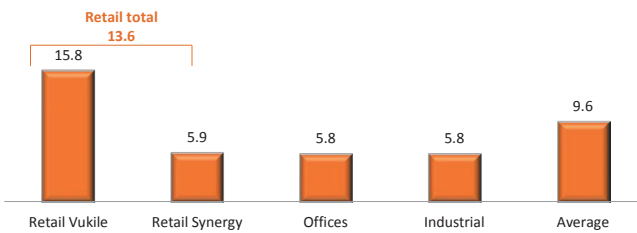
■ GLA / Rent
 — Cumulative as at Sep-15
 - - - Cumulative as at Mar-15



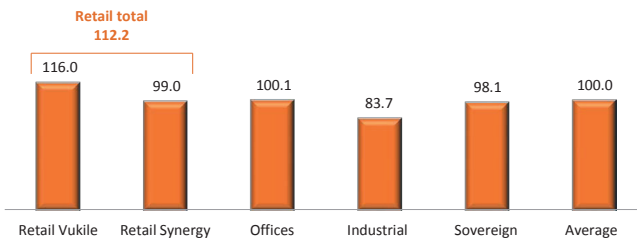
LEASE RENEWALS AND NEW LEASES CONCLUDED

Positive reversions across all sectors; retail the star performer

Lease renewals - % escalation on expiry rentals



New leases concluded - (Ratio of rental concluded against budget)

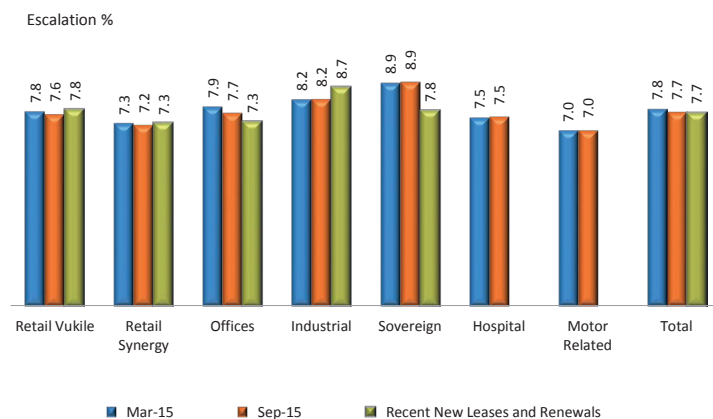


NOTES:



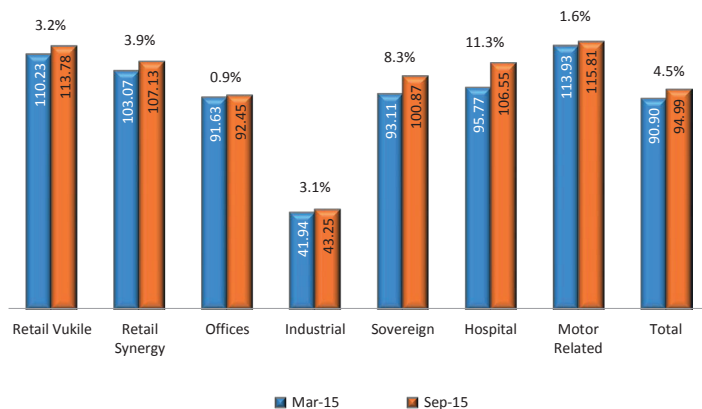
CONTRACTED RENTAL ESCALATION PROFILE

Rental escalations still ahead of inflation

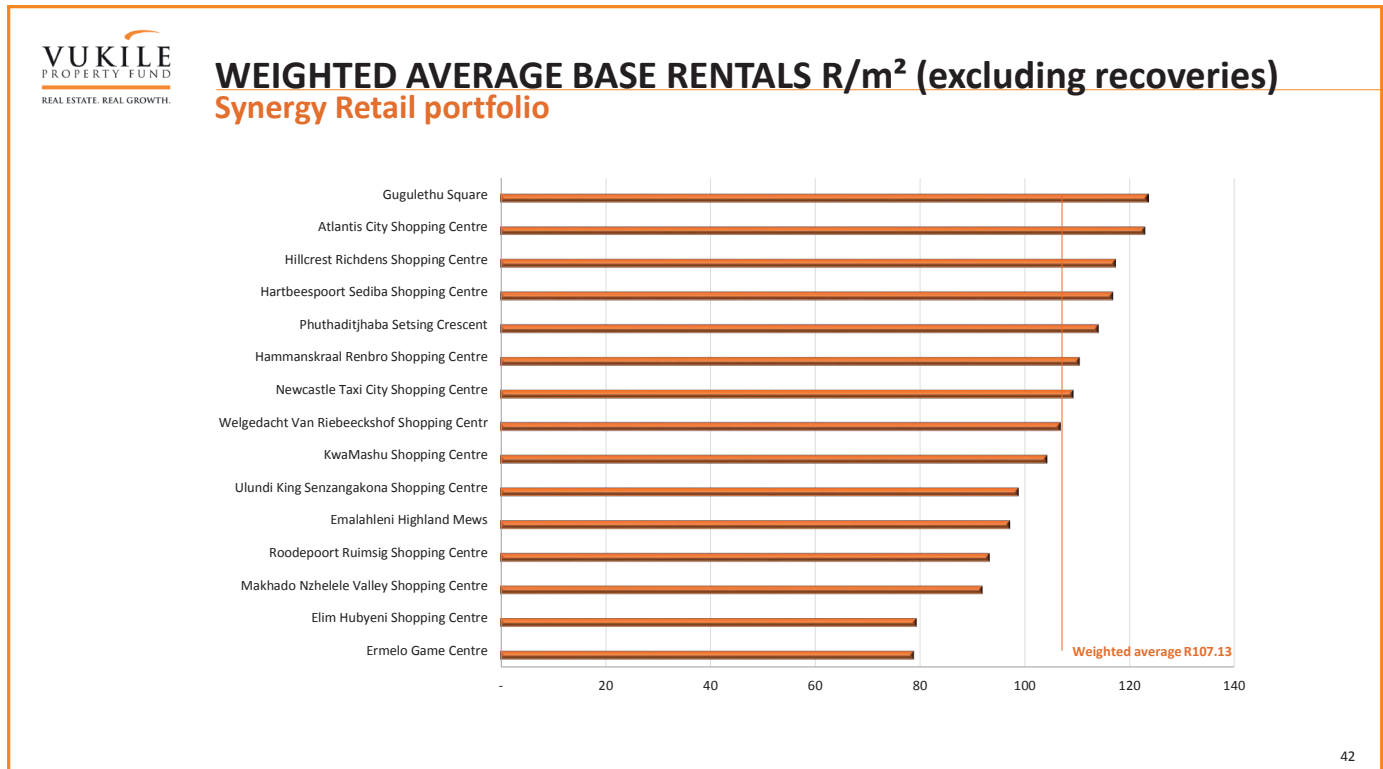
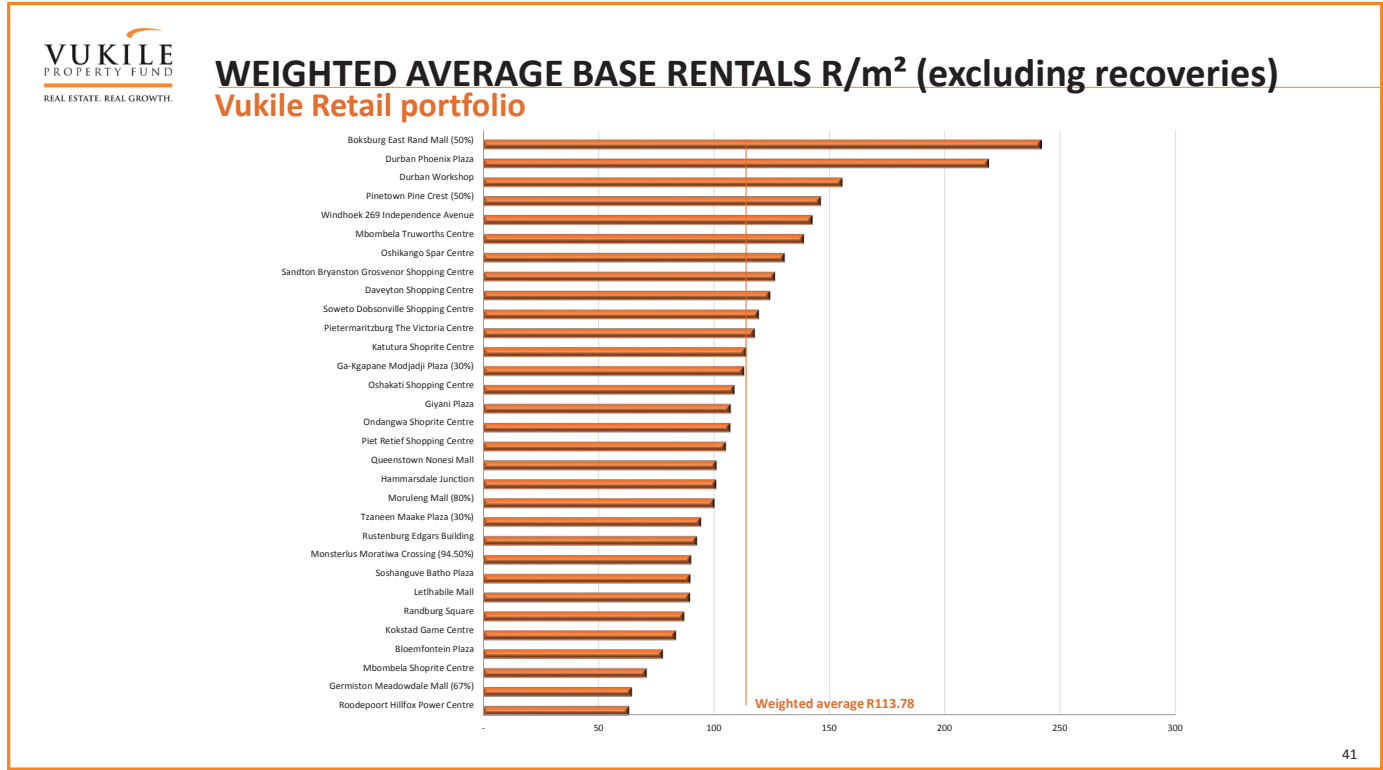


WEIGHTED AVERAGE BASE RENTALS R/m²

Excluding recoveries



NOTES: _____

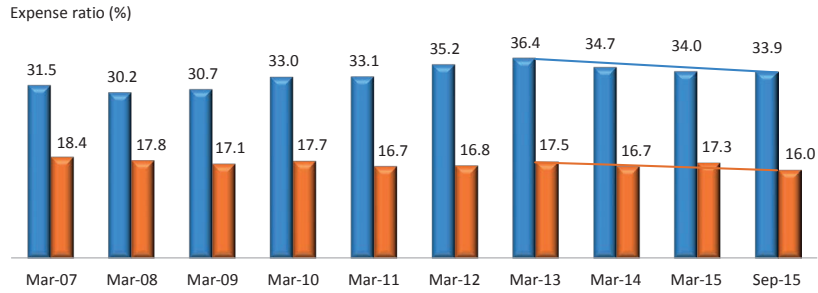


NOTES: _____



RATIO OF GROSS RECURRING COST TO PROPERTY REVENUE

Tight cost management over time



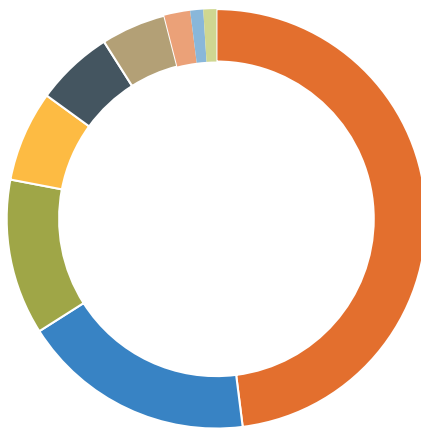
All properties in the portfolio as at 30 Sep 15; Excluding Durban Workshop

		Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Sep-15
All recurring expenses	Vukile	31.5	30.2	30.7	33.0	33.1	35.2	36.4	34.7	33.9	33.3
	Synergy									35.5	36.9
All recurring expenses excluding rates, taxes and electricity	Vukile	18.4	17.8	17.1	17.7	16.7	16.8	17.5	16.7	17.3	16.1
	Synergy									17.0	15.5



RECURRING EXPENSES

85% of costs from top four categories



% of Recurring expenses	Total Portfolio	Vukile	Synergy
Government services	48	48	48
Rates & taxes	18	18	18
Cleaning & security	12	11	12
Property management fee	7	7	8
Maintenance contracts	6	6	4
Sundry expenses	5	6	-
Asset management fee	2	1	9
Insurance premiums	1	1	1
Bad debt	1	2	-

NOTES: _____



REFURBISHMENTS

Meadowdale Mall



- Redevelopment completed and relaunched in October 2015
- The gross lettable area of the new centre is now a total 45 000m²
- Joint venture with the Moolman Group. 67% Vukile owned and 33% Moolman Group owned
- Extension of 9 500m² fully let and delivered within budget at an expected yield of 10%
- Current overall vacancy 0.2% (106m²)
- The total capex for the Vukile portion is R111 million
- Received positive initial trading stats from tenants since re-launch
- The centre is anchored by Checkers Hyper (renewed lease for 10 years), with additional anchors Meat World and Apple Tree (2 840m²) being incorporated into the upgraded centre

45



REFURBISHMENTS

East Rand Mall



- Joint development with co-owner Redefine Properties
- The gross lettable area will increase by c.6 500m² to 70 000m²
- The total capex for the Vukile portion is R220,0 million at a yield of 6.1%
- The extension will be anchored by Mr Price Emporium while Factorie, Typo, Lentis & Marcos and Burgundy Fly will be added to the tenant mix
- Strong tenant demand including major international brands
- Other major tenants in the centre are Edgars, Woolworths, Ster-Kinekor, Truworths, Foschini, Ackermans, Incredible Connection, Cotton On, CNA, Jet Stores, Galaxy Bingo,
- Together with the East Point (ex-Galleria) revamp, shoppers experience an upgraded dominant super regional of c.120 000m²
- Expected completion date: August 2016

46

NOTES:



REFURBISHMENTS

Sanlynn Office Park : Lynnwood, Pretoria



- The office park is situated on Lynnwood Road just east of the N1 Highway. This is a popular commercial node and the upgrade will ensure that the property can compete with the newer Atterbury office park located to the west of Sanlynn
- The exteriors of the office buildings, the ablutions, the parking areas, the perimeter fence and the gatehouse have been upgraded at a capex of R14.0 million
- Sanlam, which leases 6 162m² of the total GLA of 8 624m², has renewed their lease for a further 5 years
- Completion date: November 2015

47



REFURBISHMENTS

The Workshop



- Total capex : R75.0 million
- The total GLA is 20 138m²
- The Workshop is located in the Durban CBD close to rail, bus and taxi terminals and more than a million people visit the centre every month. It has never been upgraded since its completion in 1986
- Major tenants in the centre include Pick 'n Pay, Truworths, Ackermans, Pep Stores, Mr Price, Capitec Bank, Dunn's, Wimpy, Nando's and KFC
- Expected completion date : November 2015
- The e-Thekweni Municipality has earmarked the area around The Workshop for future community related developments, including a new city library. The planned new extension to the Durban Convention Centre will be on a site adjacent to The Workshop's parking basement. The transport facilities of the precinct will also be improved

48

NOTES: _____



CONVERSION

Randburg Square Office Tower



- Conversion of B grade office building into 180 Affordable Apartments
- The Apartments will be a mix of Studios, 1 bed 1 bath and 2 bed 1 bath units
- The total capex for the Conversion is R81.2 million at a yield of 9.8% when let
- Project is designed with utility efficiency in mind and pre paid meters
- The building's entire façade will be upgraded nearly 40 years after it was built
- Expected completion date: August 2016
- Exciting new mixed use development for lower to mid-income consumers



ENERGY MANAGEMENT

Electricity cost savings targets:

- Original savings target: 1.6 Million kWh and R2 million electricity cost savings
- Achieved savings: 2.14 Million kWh relating to R3 million electricity cost savings

Energy management highlights:

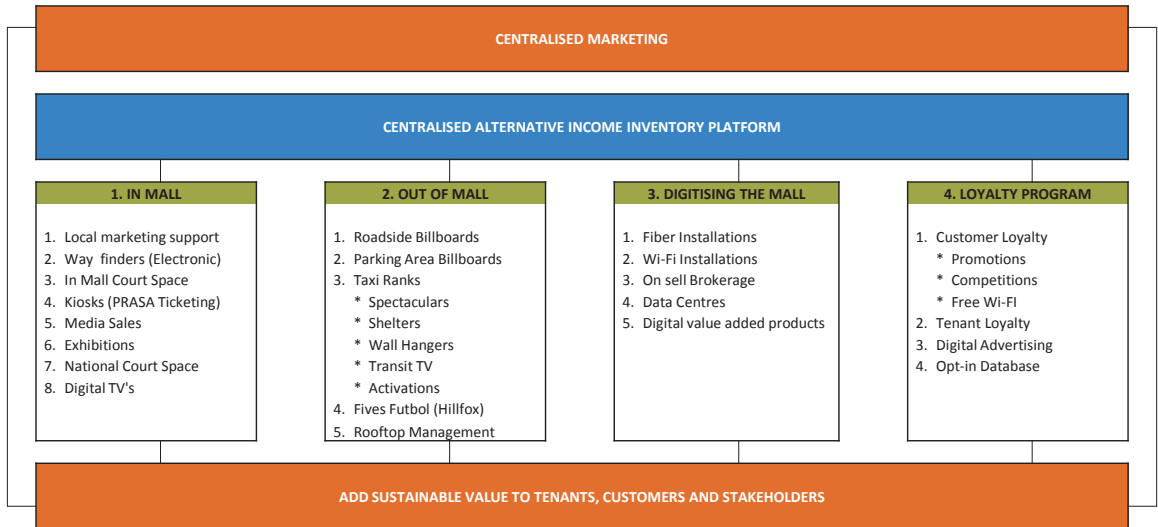
- Over 200 new electricity meters installed
- More than 500 light fittings retrofitted with building upgrades
- 1.3 MW of PV capacity to be added before June 2016
- Total submitted electricity savings: R8 Million recovery/tariff improvements
- 900 kW Demand controller implemented
- Diesel generator back up of 9 MW added



NOTES:



ALTERNATE INCOME STRATEGY



51

ACQUISITIONS, DISPOSALS AND DEVELOPMENTS

Sedise Moseneke



REAL ESTATE. REAL GROWTH.

www.vukile.co.za



NOTES:

52



ACQUISITIONS

Transferred during H1 F2016

Property	Sector	GLA m ²	Initial Yield	Purchase Price R'000	Transfer Date
Moruleng Mall (80%)	Retail	31 421	8.70%	325 755	Apr-15
Batho Plaza	Retail	13 338	9.50%	143 825	Jun-15
Nonesi	Retail	28 147	8.25%	376 594	Jun-15
Silverton	Industrial	21 253	9.25%	99 908	Jul-15
Total		94 159		946 082	



DISPOSALS

Net of selling costs – H1 F2016

Property	Sales price R'000	Yield %	Date of sale
Johannesburg Rosettenville Village Main	24 395	9.9	6 July 2015
Centurion 259 West Street	30 215	10.4	20 August 2015
Johannesburg Parktown Oakhurst	71 000	9.5	26 August 2015
TOTAL	125 610		



NOTES: _____

DEALS CONCLUDED

Bedworth Centre



- The Bedworth Centre is a small regional shopping centre measuring 33 948m²
- The centre is located in Bedworth Park in Vereeniging south of Johannesburg and is easily accessed via Barrage Road which is the main arterial route between Vereeniging and Vanderbijlpark
- Transferred in October 2015 for a purchase consideration of R335 million at an initial yield of 8.75%
- Anchored by a Pick 'n Pay Hyper and a Builders Warehouse
- The centre has a long lease expiry profile due to the two anchor tenants (Pick n Pay and Builders Warehouse), which make up over 75% of the centre by GLA, expiring January 2024 and February 2020 respectively
- The tenant mix is excellent and the national tenant component of the centre is just under 90% of the total GLA

55

DEVELOPMENT IN PROGRESS

Springs Mall – Johannesburg



- Springs Mall will be a dominant regional mall measuring 43 000m² and will offer a first-rate regional shopping experience to the Springs and surrounding communities
- The site is located just south of the Springs CBD, in a prime location at the R51 off-ramp off the N17
- Vukile has acquired a 25% stake in the mall for R260 million at a guaranteed initial yield of 8%
- The project is being led by pre-eminent shopping centre developers, Flanagan & Gerard Property Development and Investment, together with local partners
- Leasing is progressing very well and it is currently 85% let with confirmed anchor tenants including Pick 'n Pay, Checkers, Woolworths and Edgars, as well as a comprehensive array of national tenants
- The primary catchment area of the site has 14 663 households or 47 500 people and the secondary catchment area contains 69 809 households or 237 000 people
- The area is predominantly characterized by a middle to high income earning consumer market (LSM 4 to 10+)
- Springs Mall is currently under construction and is scheduled for completion in 2017

56

NOTES: _____



DEVELOPMENT IN PROGRESS

Thavhani Mall – Thohoyandou Limpopo



- Thavhani Mall will be a dominant regional mall measuring 50 000m²
- It is being developed on a prime site in Thohoyandou, at the intersection of the R524 road to Louis Trichardt (Makhado) and the new Giyani Road to Sibasa
- Vukile has secured a 33% stake in the mall for R350 million at a guaranteed initial yield of 8%
- The project is being led by pre-eminent shopping centre developers, Flanagan & Gerard Property Investment and Development, together with local partners
- There is strong demand from retailers and leasing is progressing very well (currently over 80% let) with confirmed anchor tenants including Pick 'n Pay, Super Spar, Woolworths and Edgars. A broad range of other national retailers will also form part of the tenant mix
- The demographic profile of the area is extremely encouraging. The primary catchment area of the site consists of 87 000 households or 370 000 people
- The area is predominantly characterized by a middle to high income earning consumer market (LSM 4 to 10)
- Vukile will take transfer of its stake in Thavhani Mall upon completion in 2017

57



NEW DEVELOPMENTS

De Tijger Cure Day Clinic : Cape Town



- The Cure Day Clinic at Cape Town Parow De Tijger Office Park was completed in October 2015
- A 10 year lease agreement has been concluded with the Cure Day Clinics Group
- At the total capital outlay of R24.7 million the development of 1 130m² yields 9.3%

58

NOTES:

CORPORATE ACTIVITY AND STRATEGY

Laurence Rapp

VUKILE
 PROPERTY FUND

REAL ESTATE. REAL GROWTH.

www.vukile.co.za

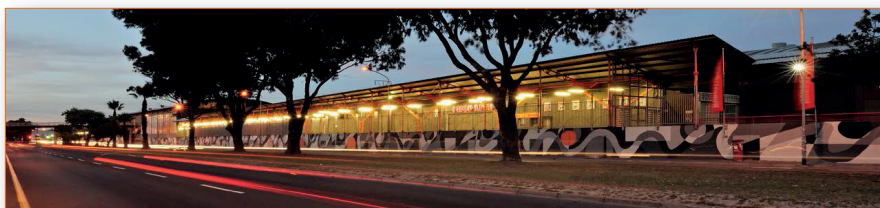


59

VUKILE
 PROPERTY FUND
 REAL ESTATE. REAL GROWTH.

FAIRVEST

Strategically aligned niche player



- Current shareholding of 31% valued at R359 million
- Strategically aligned to Vukile's lower income retail focus but targeting smaller commuter centres
- Strong hands-on management team that delivers on its promises
- Continue to hold the stake but will be prepared to dilute to get more liquidity into share
- Key stats:
 - 34 retail properties valued at R1.36 billion
 - Vacancies of 4.4%
 - National tenants comprise 79% of the portfolio
 - Gearing as at 30 June 2015 of 19% of which 73% is fixed
 - As per managements market commentary aiming to grow F16 distributions by between 9 and 10%

60

NOTES: _____



ATLANTIC LEAF

Investment rationale



- Vukile keen to expand into offshore markets
- Positive risk adjusted returns
- Positive gearing as funding costs are below acquisition yields
- Improving economic fundamentals
- Whilst yields have compressed for prime property there are still opportunities in secondary markets
- Rental growth potential off a low base
- Long lease profile compensates for lower growth and providing stability
- Look at real returns relative to inflation and not nominal growth rates
- Atlantic Leaf provided an ideal entry point for our internationalization strategy

61



ATLANTIC LEAF



- Strong management team with similar value system to Vukile
- Existing inward listing structure making the portfolio easily accessible to rand-based investors but who want hard currency exposure
- Low risk, good quality portfolio with strong underlying property fundamentals and blue chip credit rated tenants
- Attractive entry price at a yield >8%
- Ability to gain a meaningful stake whilst still getting in “on the ground floor”
- Active stake for Vukile including a Board seat
- Join forces with Atlantic Leaf Properties’ management team to drive future growth

62

NOTES:

ATLANTIC LEAF

Strategy is to invest in high-quality real estate assets which deliver suitable returns through both income and capital growth

- Focus on acquiring and managing quality properties with significant potential for yield enhancement and capital growth
- Proactively seeking properties which are capable of providing immediate value unlock
- Core market is UK but will look at other developed markets opportunistically. E.g. Western Europe, Scandinavia, Australia
- No specific sector focus but have identified attractive opportunities in industrial, commercial and retail sectors
- Expect to utilise gearing up to 50%-55% LTV to enhance returns
- Aim to be fully invested in property but will look to invest surplus cash in listed real estate securities where appropriate

Key investment criteria for property investments

- ✓ Quality, location and durability of assets
- ✓ Core sustainable income flows, high existing and projected occupancy rates and tenant covenant strength
- ✓ Opportunities for asset enhancement through active management, including new lettings, refurbishment and development
- ✓ Rental yield spread relative to fixed rate borrowing costs and key valuation and financing metrics
- ✓ Proper evaluation of multitude of risk factors, including security of income, residual values, physical condition of the properties, loan-to-value and interest covenants and maturity profiles in respect of leveraged purchases

63

ATLANTIC LEAF

Key property portfolio stats

AUM
£143.4m

WALE
14.2 years

Average yield
7.7%

LTV
49%

Ave. cost of debt
3.40%

Portion of debt fixed
69%

64

NOTES: _____



STRATEGIC UPDATE

- **Strong Operational focus to continue**
 - Vacancies
 - Energy management
 - Alternative income management (AIM), non-GLA revenue
 - Bad debt and arrears management
- **Continued cautious approach to balance sheet management**
 - Gearing to remain below 30% and hedging at a minimum of 75%
 - Look to repay term debt through sale of non-core assets
- **Preference for retail assets**
 - Currently at contract stage on two retail assets with a combined value of R824 million
 - Reduce exposure to commercial, industrial and sovereign property
- **Development exposure**
 - Favour a JV model with experienced developers
 - Introduced residential development expertise into the team



65



KEY STRATEGIC PILLARS

- **Synergy**
 - Actively exploring alternative uses for the scarce A/B capital structure
 - Need to consult with 3 key shareholders on proposed plans
- **Residential market**
 - Strong underlying demand fundamentals
 - Yield kicker to the portfolio
 - Introduction of key residential skills through deal structure and internal appointment
 - Good progress in setting up entry into the market
 - Deal currently under MOU and in due diligence at the moment
 - Expect to have clarity and hopefully announce a deal before financial year end
- **International**
 - Growth through Atlantic Leaf shareholding, actively sourcing deals
 - Looking at other developed markets as well
- **Disposals**
 - Looking to exit sovereign and other office and industrial assets
 - Recycle capital
 - Reduce term debt as it matures
 - Will be prepared to take paper and hold on a tactical basis

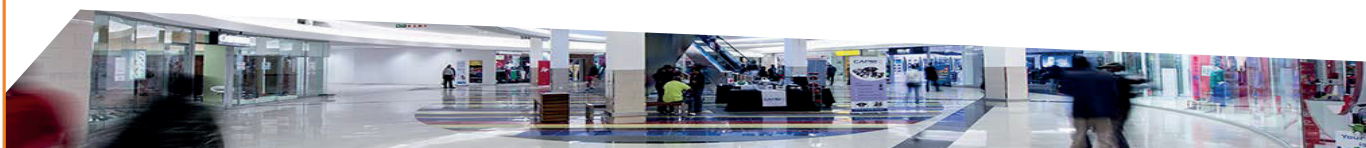


66

NOTES:

PROSPECTS

- Focus on a number of strategic initiatives to be finalized prior to the financial year end in March 2016
- Definitive entry strategy into the residential market
- Growing exposure to the international property market
- Evaluation of alternative strategies for the Synergy A and B unit structure
- Challenging operating environment
- Deliver full year growth in distributions largely in line with first half growth of seven percent held back in large part due to the creation of a significant provision of R12 million to cater for incorrect electricity billing by council
- In the face of rising interest rates, maintain conservative gearing and hedging policy and look to lower gearing through the sale of non-core assets in the office, industrial and sovereign sectors of our portfolio



67

ACKNOWLEDGEMENTS

- Board
- Property managers
- Service providers
- Brokers and developers
- Tenants
- Investors
- Funders
- Colleagues



68

NOTES: _____



QUESTIONS AND ANSWERS



APPENDIX

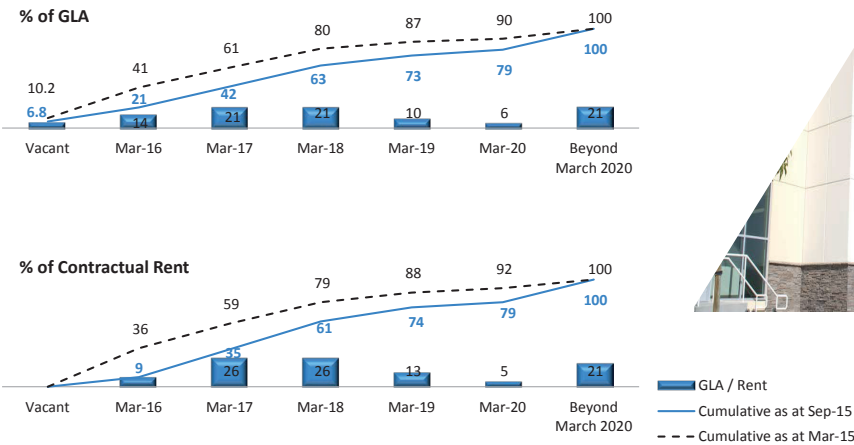


NOTES:



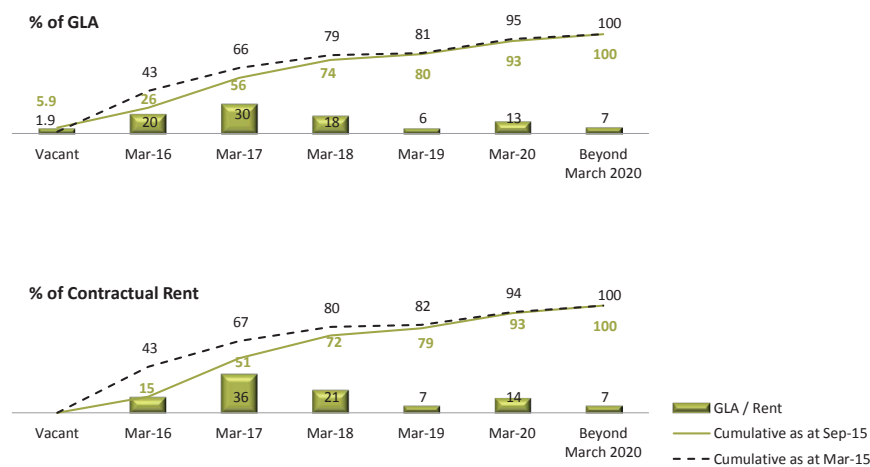
EXPIRY PROFILE

Office portfolio - 37% expiring in 2019 and beyond



EXPIRY PROFILE

Industrial portfolio - 26% expiring in 2019 and beyond

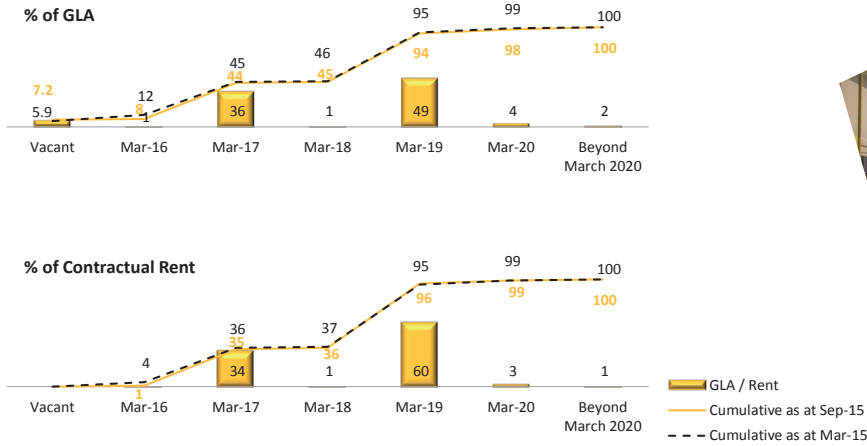


NOTES: _____



EXPIRY PROFILE

Sovereign portfolio - 55% expiring in 2019 and beyond

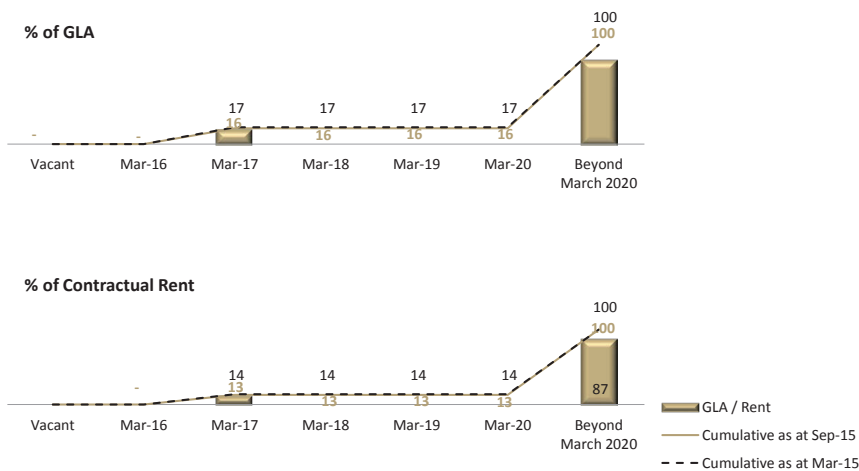


73



EXPIRY PROFILE

Hospital and motor related portfolios - 84% expiring in 2019 and beyond



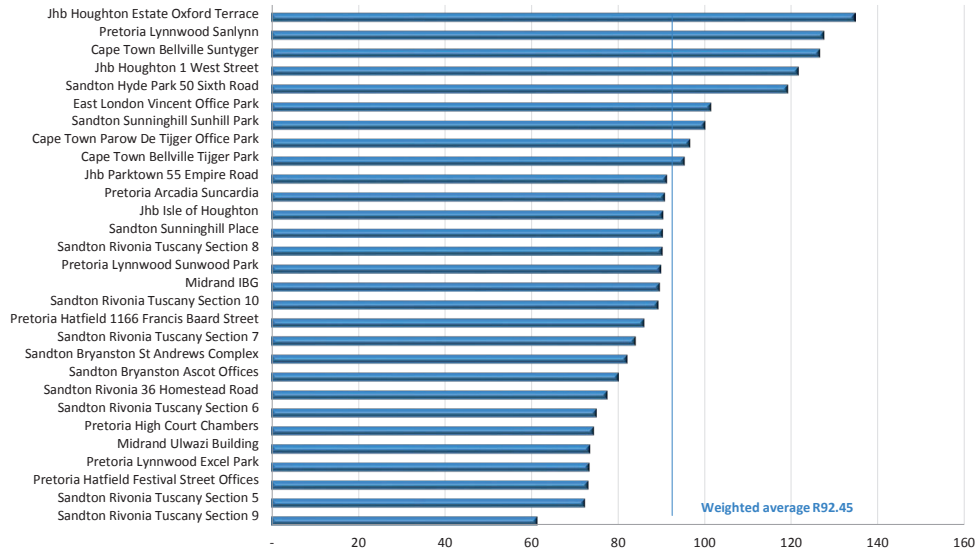
74

NOTES:



WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Office portfolio

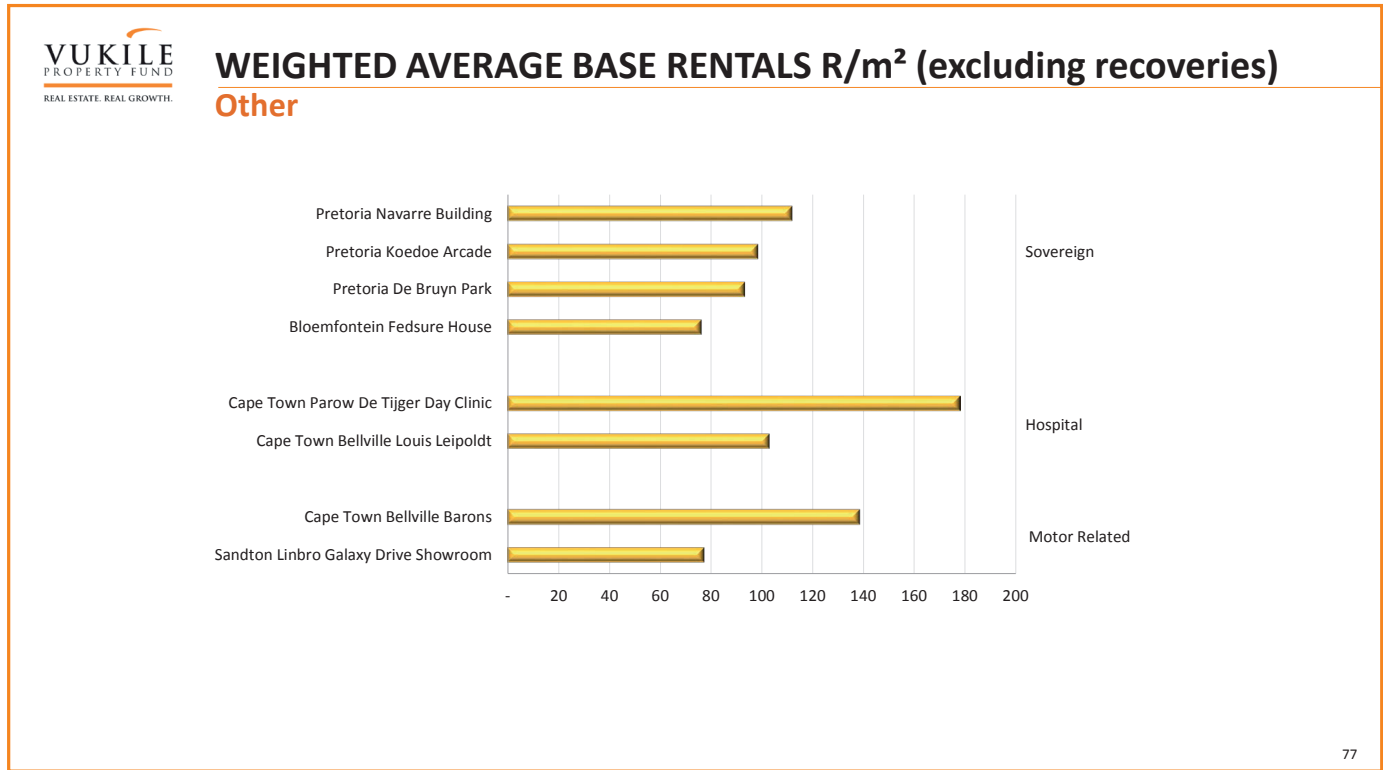


WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Industrial portfolio



NOTES: _____



NOTES: _____

VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

www.vukile.co.za

