

**INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2016**


VUKILE
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

www.vukile.co.za



AGENDA

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



HIGHLIGHTS

Laurence Rapp


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HIGHLIGHTS

- Excellent progress in achieving strategic objective of becoming a specialist retail focused fund in South Africa
- Vukile - Synergy - Arrowhead (GemGrow) transaction approved by shareholders
- Sale of Sovereign portfolio for R1.18 billion
- Dividend of 67.64754 cents per share - 7.0% increase for six months ended 30 September 2016 in line with guidance
- Gearing ratio of 23.9% with debt fully hedged
- Successful refinance of R1.1 billion debt and R400 million equity raise during the reporting period
- Platform in place for international expansion



FINANCIAL PERFORMANCE

Mike Potts


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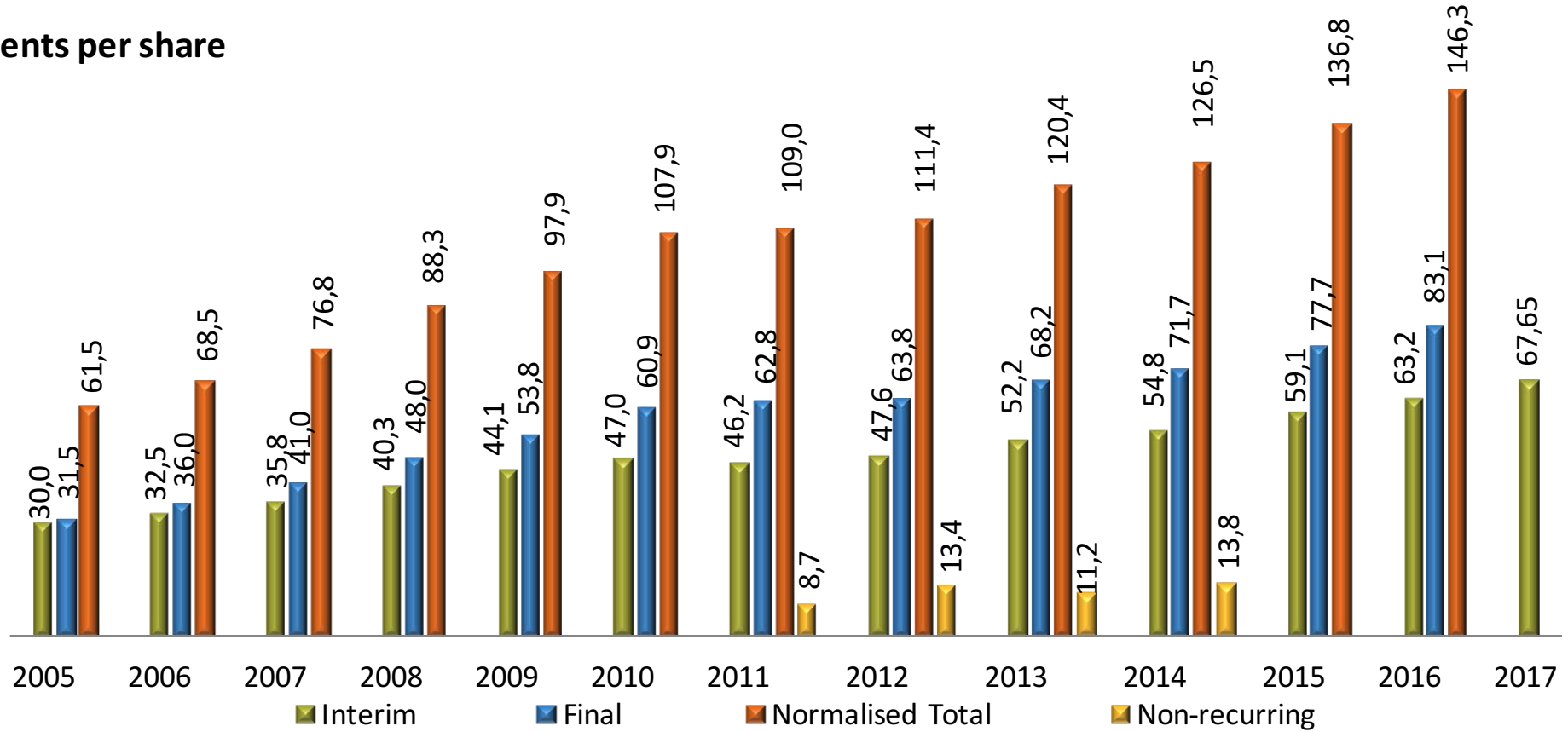
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DISTRIBUTION HISTORY

Continuing trend of unbroken growth in distributions

Cents per share



SIMPLIFIED INCOME STATEMENT

R500 million of distributable income

	Sep-16 R'000	Sep-15 R'000	Variance %
Property revenue	1 087 344	1 005 368	8.2
Property expenses	(382 111)	(368 353)	(3.7)
Net profit from property operations	705 233	637 015	10.7
Asset management business-income	-	11 886	(>100)
Corporate and asset management expenses	(51 653)	(44 803)	(15.3)
Dividends received from investments	16 763	-	>100
Operating profit before net finance costs	670 343	604 098	11.0
Net finance costs	(166 693)	(145 961)	(14.2)
Profit before taxation	503 650	458 137	9.9
Taxation	(2 510)	(6 868)	63.5
Profit for the period	501 140	451 269	11.1



SIMPLIFIED INCOME STATEMENT

Reconciliation of dividend

	Sep-16 R'000	Sep-15 R'000
Profit for the period	501 140	451 269
Movement in fair value of hedges	(635)	-
Attributable to non-controlling interests	<u>(19 932)</u>	<u>(24 996)</u>
Attributable to Vukile Group	480 573	426 273
Less: dividends payable on shares issued post year-end	(19 675)	(48 188)
Add: Non IFRS adjustments		
Shares issued cum dividend	27 366	61 530
Dividends accrued on investments	33 848	13 302
Asset management income ⁽¹⁾	<u>4 000</u>	<u>4 000</u>
Available for distribution	<u>526 112</u>	<u>456 917</u>
Proposed distribution	467 203	405 351

⁽¹⁾Arising from the sale of the asset management business to Sanlam where the amounts receivable, over a two-year period to October 2016, of R16 million were present valued and offset against the loss on sale in terms of IFRS requirements.



GROWTH IN NET PROFIT FROM PROPERTY OPERATIONS

Like-for-like growth of 5.1%

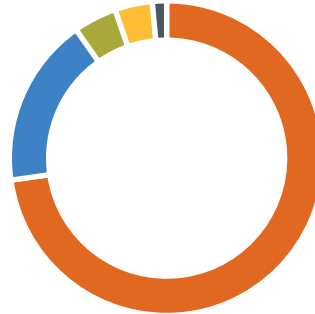
	September 2016 Rm
Increase in group net rental income	68.2
Made up as follows:	
▪ Like-for-like (stable portfolio)	26.5
▪ Properties acquired in prior year	27.0
▪ Synergy portfolio	3.7
▪ Sold properties	6.2
▪ Net interest reclassified	4.8
	68.2



GROUP NET INCOME ANALYSIS

Distributable income of R526 million

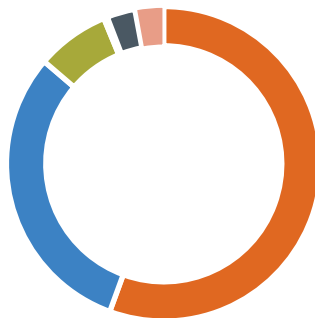
Income R1 148.4 million



Rental & other income	835 667	73
Electricity and water services recovered	200 523	18
Rates and taxes recovered	51 154	4
Investment and other income	44 275	4
Dividends received from Fairvest	16 763	1

<u>R'000</u>	<u>%</u>
835 667	73
200 523	18
51 154	4
44 275	4
16 763	1

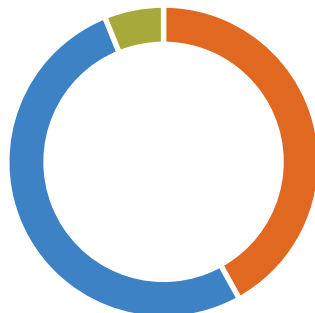
Expenses R687.5 million



Property expenses	(382 111)	55
Finance costs	(210 968)	31
Corporate and asset management expenses	(51 653)	8
Taxation	(2 510)	0
Profits attributable to NCI-Synergy and Clidet	(19 932)	3
Movement in fair value of hedges	(635)	0
Dividends on shares issued in April 2016	(19 675)	3

<u>R'000</u>	<u>%</u>
(382 111)	55
(210 968)	31
(51 653)	8
(2 510)	0
(19 932)	3
(635)	0
(19 675)	3

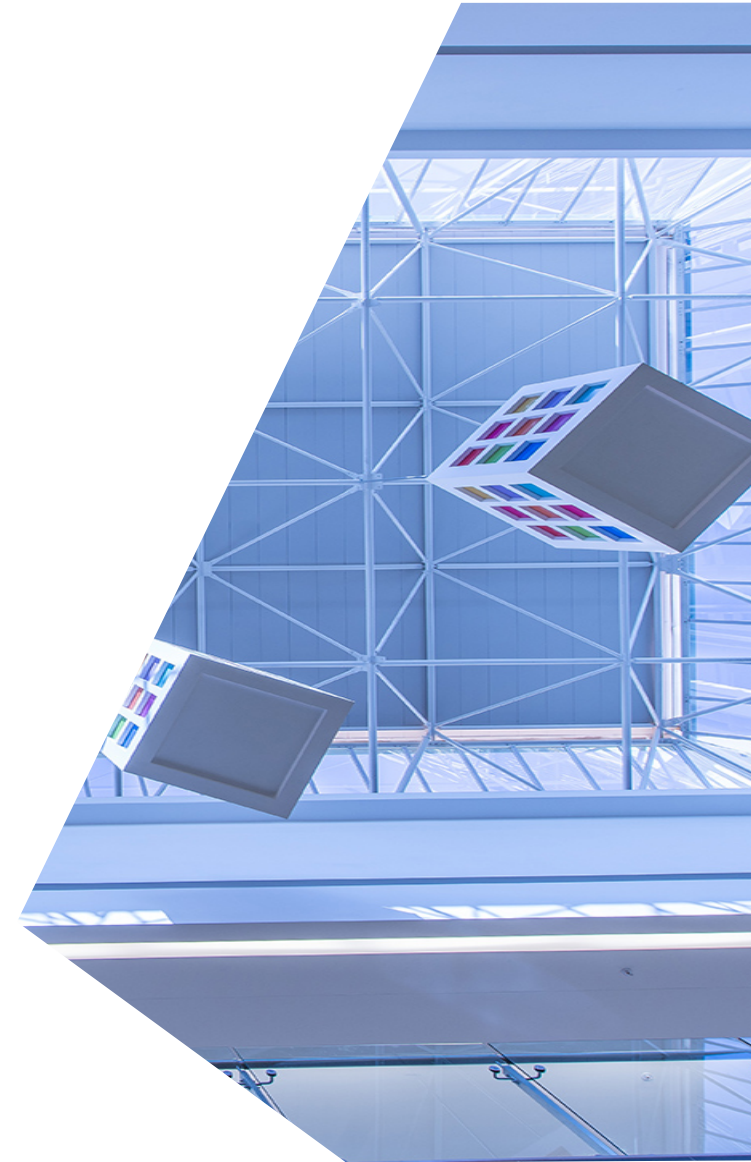
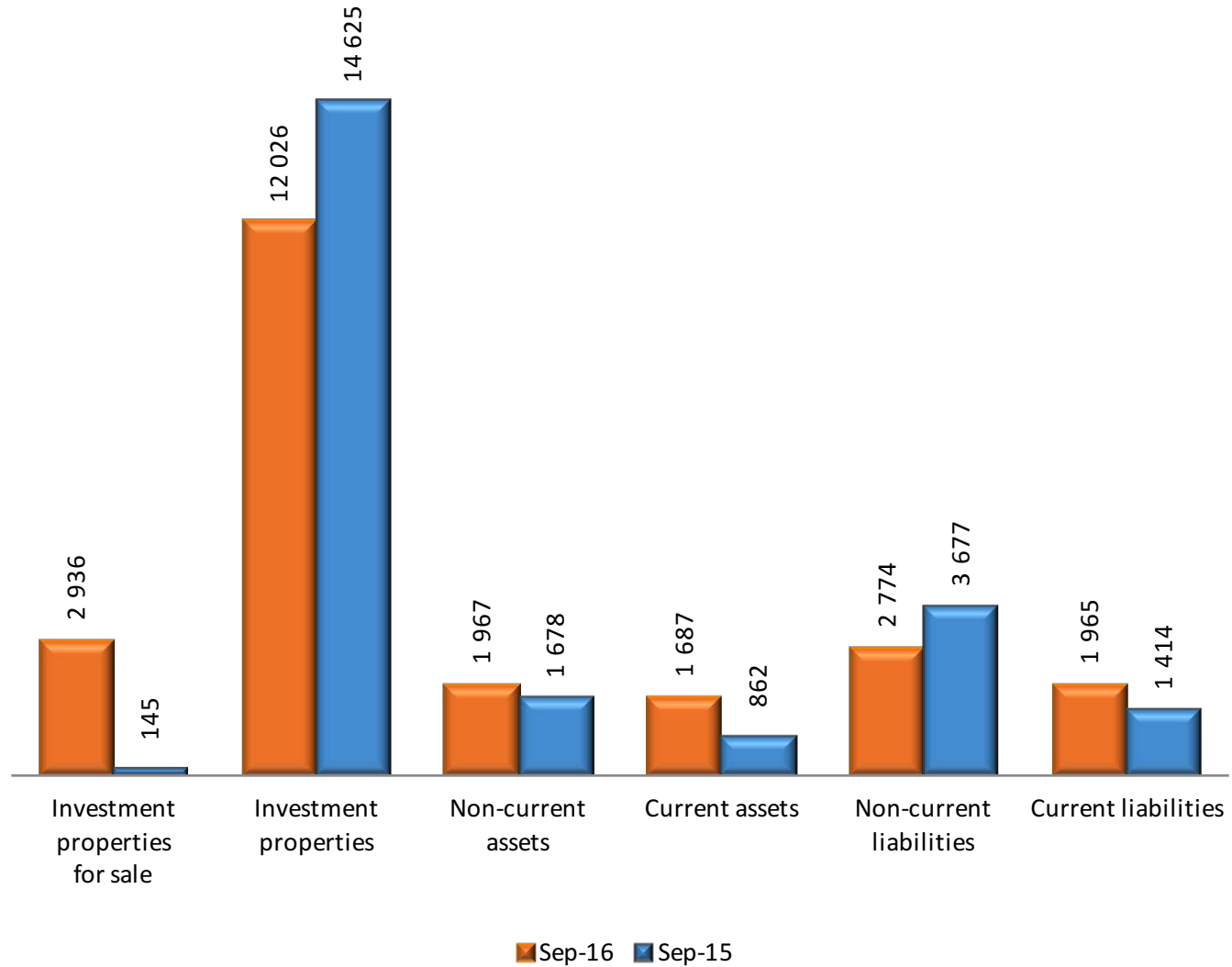
Non IFRS adjustments R65.2 million



Shares issued cum dividend	27 366	42
Dividends accrued on investments and associate	33 848	52
Asset management income	4 000	6

<u>R'000</u>	<u>%</u>
27 366	42
33 848	52
4 000	6

GROUP BALANCE SHEET – (R'm)



BAD DEBT AND ARREARS ANALYSIS

Prudent Provisioning Policy

- Tenant arrears amounted to R71 million or 4.4% of gross rental income, an increase from 3.05% at March 2016
- Doubtful debt allowance marginally up to R28.5 million (March 2016: R28.0 million)
- The doubtful debt allowance equates to 1.79% of gross rental income for the year ending 31 March 2017 (March 2016 : 1.34%)

	September
	2016
	R'000
Doubtful debt allowance 1 April 2016	28 010
<ul style="list-style-type: none"> ▪ Allowance for receivables impairment for the six months period ▪ Receivables written off as uncollectable 	6 151
	(5 623)
Impairment allowance at 30 September 2016	28 538
Bad debt write-off per the statement of profit and loss	5 950



GROUP DEBT STRUCTURE

Conservatively geared and 100% hedged

	September	March
	2016	2016
	%	%
Gearing ratio	23.9	29.5
Loan to value ratio net of available cash	19.0	26.9
% Interest bearing term-debt hedged	100.0	86.4
Annualised cost of finance ⁽¹⁾	8.7	8.5

⁽¹⁾Based on average of interest bearing debt, at 30 September 2016 and at 31 March 2016, excluding development debt

SWAPS

- R1.6 billion swaps extended during the period
- R320 million new swaps concluded during the period
- Current average swap maturity profile : 3.4 years



GROUP DEBT STRUCTURE

Diversified sources of funding

Strategy	September 2016	March 2016
Diversify funders to at least three providers	Five funders	Five funders
Diversify funding structures	% of total	% of total
<ul style="list-style-type: none"> Bank debt 	68%	69%
<ul style="list-style-type: none"> Secured bonds 	19%	19%
<ul style="list-style-type: none"> Commercial paper/unsecured bonds 	13%	12%
	100%	100%

DEBT REPAYED DURING THE PERIOD

- Corporate bonds totalling R200 million
- R255 million commercial paper
- Bank debt of R538.3 million

DEBT REFINANCED

- R140 million commercial paper

NEW DEBT RAISED DURING THE PERIOD

- R170 million new unlisted unsecured 2 year note



SWAPS EXPIRY PROFILE – (R'm)

Swap expiry profile per calendar year (excluding Synergy)

	2017	2018	2019	2020	2021	2022	Total
R'm	681	256	504	645	940	501	3 527
	19.3%	7.3%	14.3%	18.3%	26.6%	14.2%	100%

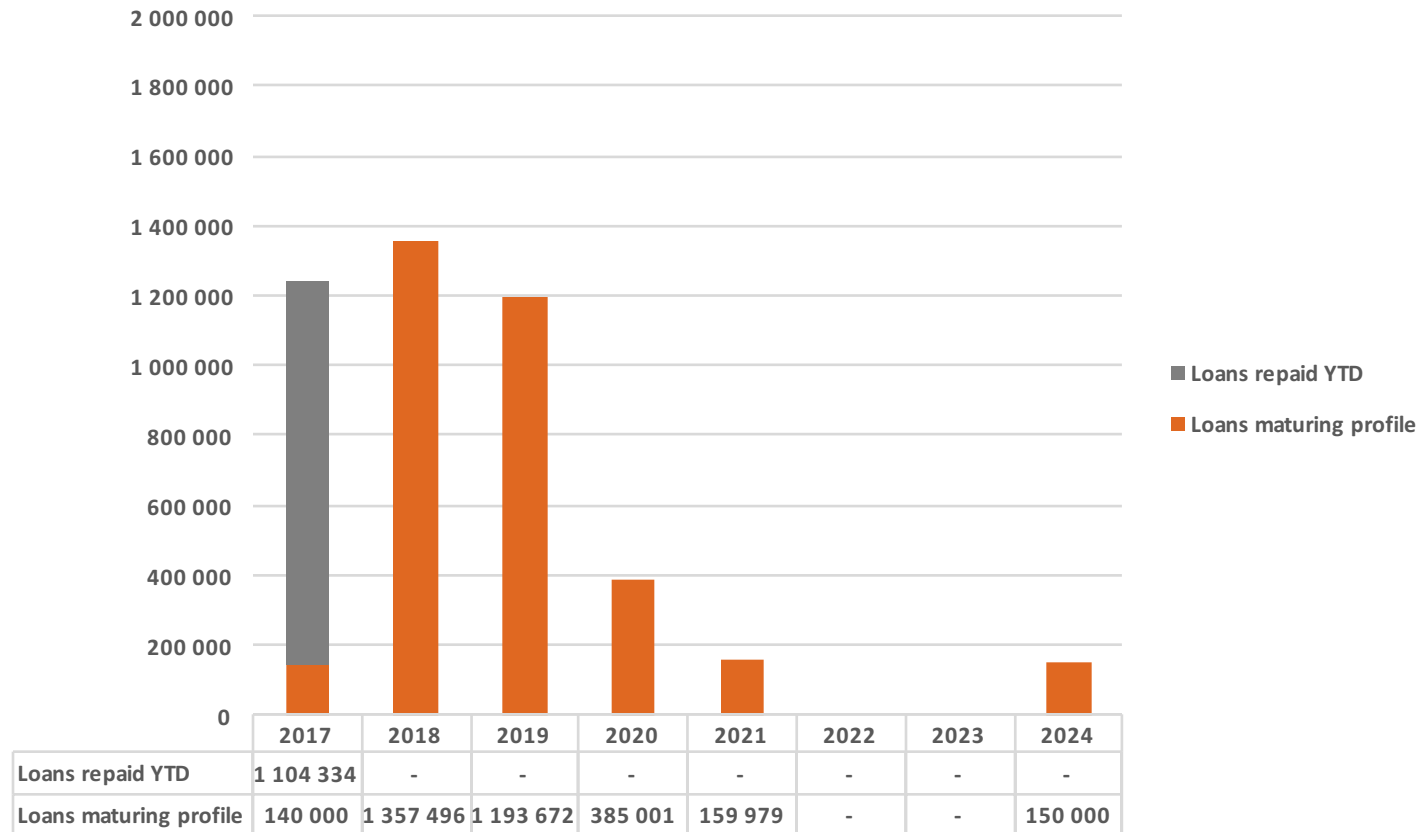
Synergy has R647 million swaps and fixed debt in place, to cover debt of R937 million expiring between June 2016 and September 2020. This debt will remain in Synergy once the transaction is approved by the Competition Commission and therefore will be excluded from Vukile's debt going forward.



VUKILE DEBT STRUCTURE (excluding Synergy)

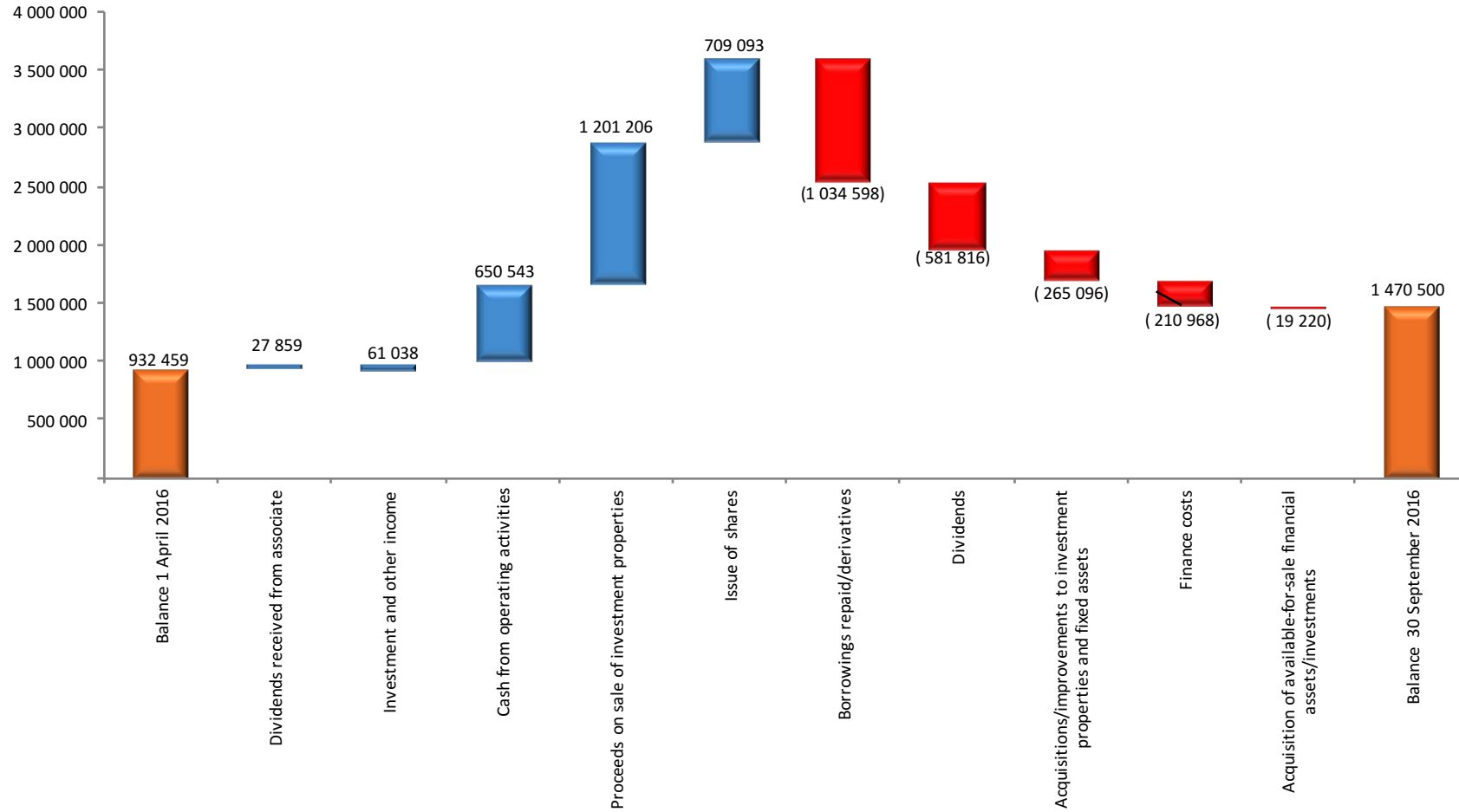
Fixed and variable interest bearing debt – R3.4 billion

Debt Maturity R'000 (Excluding Synergy)



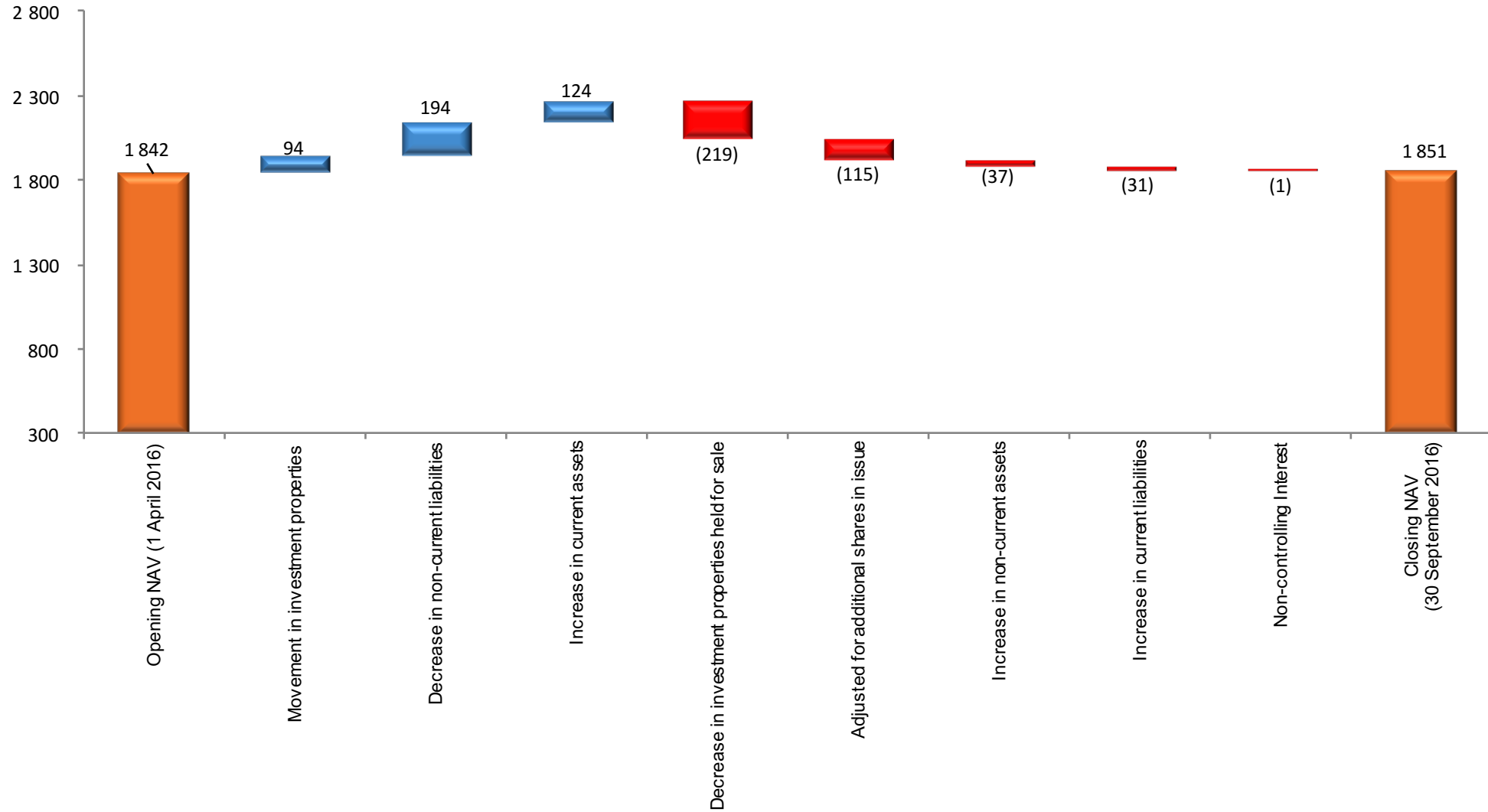
GROUP NET CASH FLOW – (R'000)

Summary of inflows and outflows



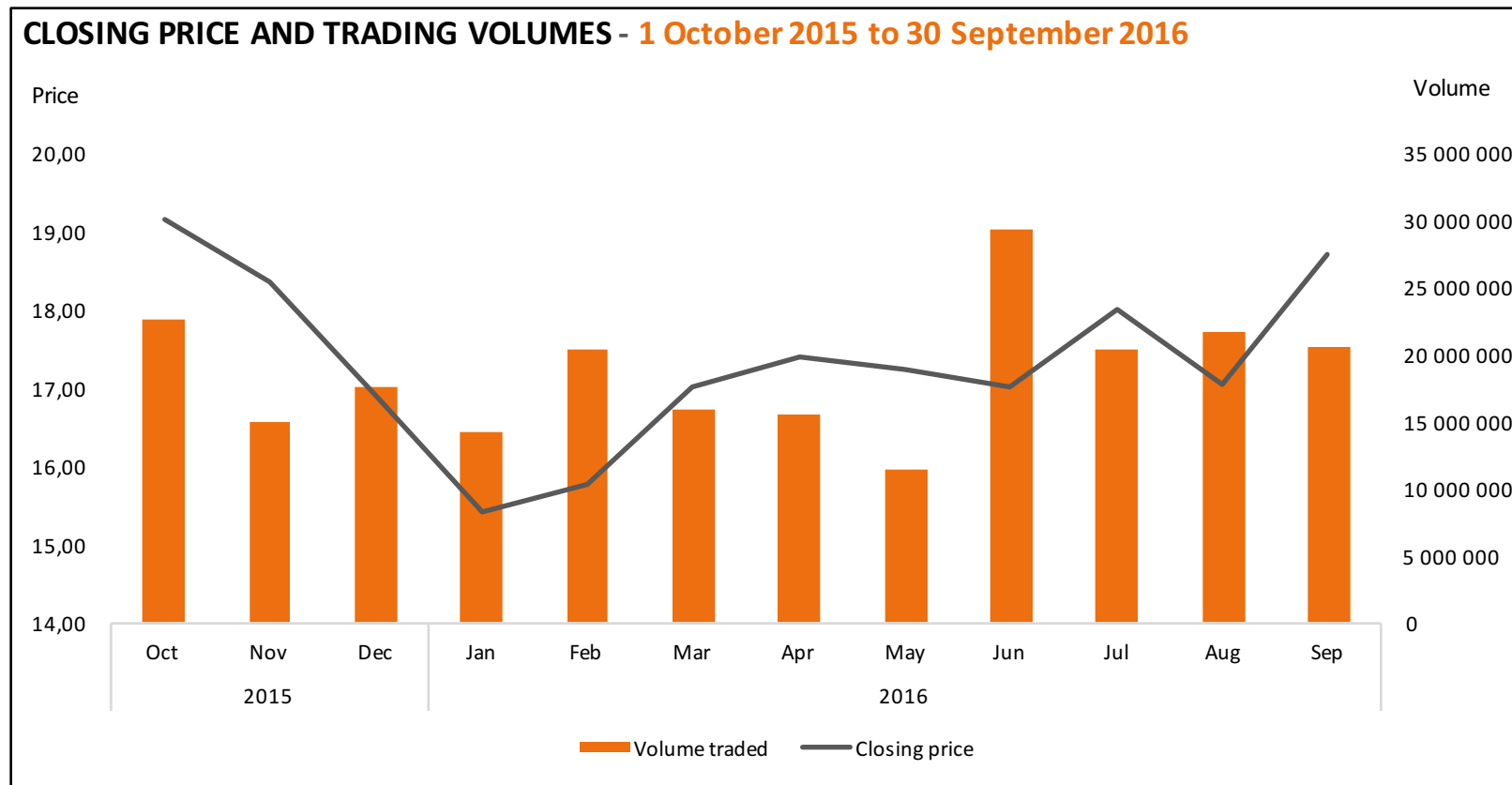
NAV BRIDGE – (Cents)

NAV of 1 851 cps



SHARE PRICES AND TRADE VOLUMES

30% liquidity



PROPERTY PORTFOLIO PERFORMANCE AND OVERVIEW

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VALUATION PARAMETERS

Total property assets of R15.9 billion

Total property assets	R15.9 billion		
Listed Portfolio	R1.0 billion		
• Atlantic Leaf	R0.6 billion		
• Fairvest	R0.4 billion		
Direct Property Portfolio	R14.9 billion	Vukile	Synergy
▪ Valuation		R12.4 billion	R2.5 billion
44% of portfolio valued externally, values in line with directors' valuations			
▪ Average value per property	R151m	R147m	R175m
▪ Average discount rate	14.2%	14.3%	14.1%
▪ Average exit capitalisation rate	9.6%	9.6%	9.5%
▪ Number of properties	98	84	14
▪ GLA	1 270 734m²	1 075 786m ²	194 948m ²

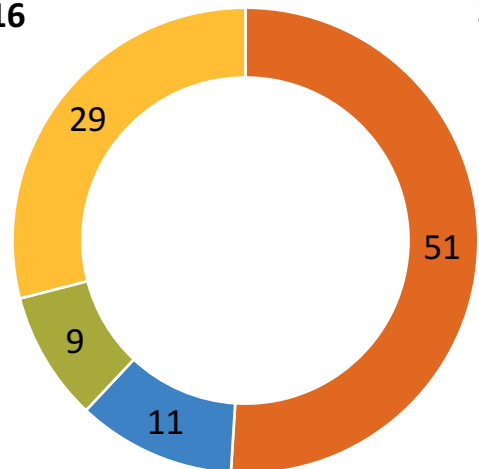
LEASING AND TENANT EXPOSURE

For the 6 months ended 30 September 2016 leases were concluded with:

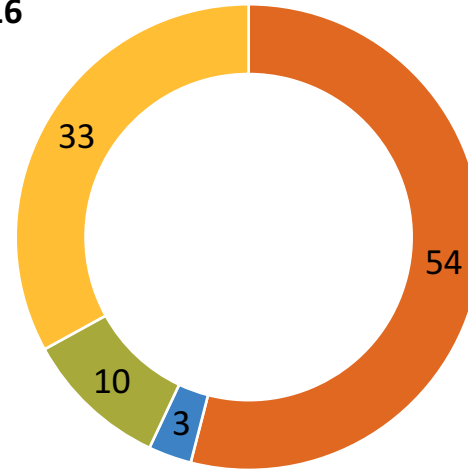
- Total contract value R693 million
 - Total rentable area 156,639m²
- Lease renewals 72% of leases were renewed or are in the process of being renewed.

Tenant exposure: (% of GLA)

Mar-16



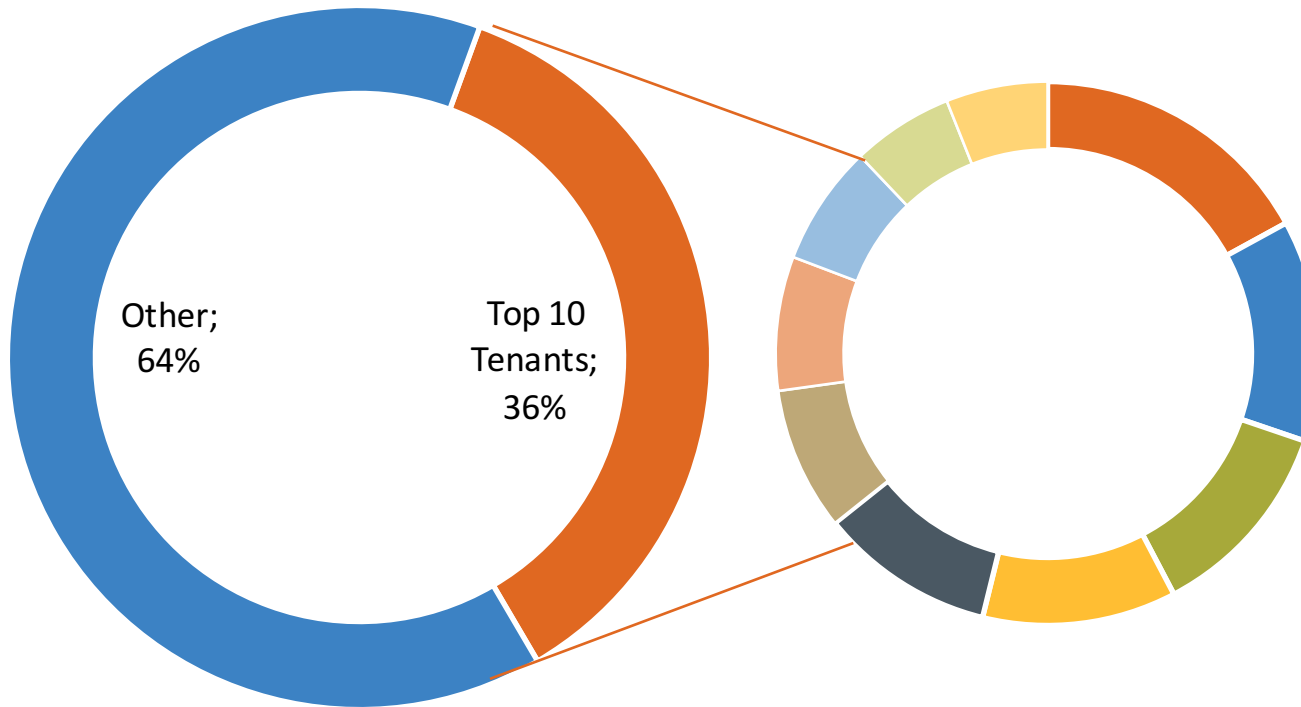
Sep-16



	Vukile		Synergy	
	Mar-16	Sep-16	Mar-16	Sep-16
Large national and listed tenants and major franchises	47	50	74	75
Government	12	3	-	-
National and listed tenants, franchised and medium to large professional firms	10	11	6	5
Other (c 1 900 tenants)	31	36	20	20

TENANT EXPOSURE TOP 10 TENANTS

Top ten tenants account for 36% of GLA



	% of Total Portfolio GLA	% of Vukile Portfolio GLA	% of Synergy Portfolio GLA
Shoprite	6.2	6.4	5.3
Steinhoff	4.8	4.3	7.6
Edcon	4.4	4.4	4.0
Pick n Pay	4.2	4.6	1.9
Spar	3.8	1.1	18.6
Massmart	3.1	2.4	6.5
Government	2.9	3.4	
Mahle Behr	2.6	3.1	
Foschini	2.2	1.9	4.2
Medi-Clinic	2.2	2.6	

(34% of Vukile tenants in Top 10)
(48% of Synergy tenants in Top 10)

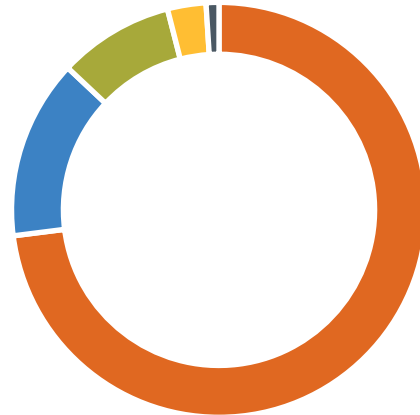
SECTORAL PROFILE

73% exposure (based on value) to Retail sector

Value: R14 828m

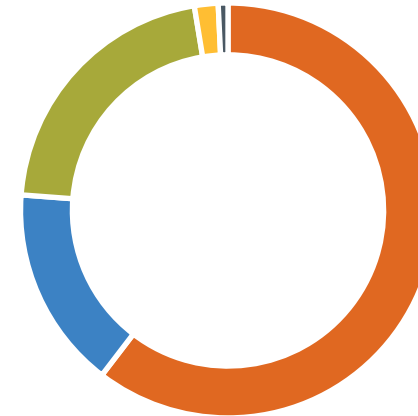
GLA: 1 270 734m²

Portfolio including Synergy



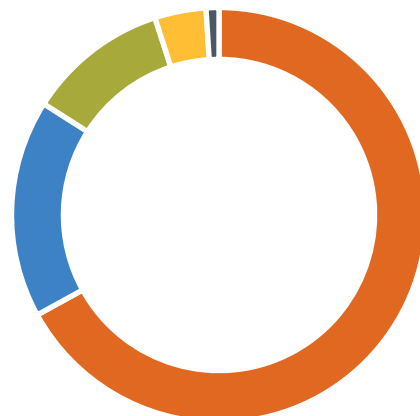
% of Total Portfolio	
Retail	73
Offices	14
Industrial	9
Hospital & Residential	3
Motor Related	1

Portfolio including Synergy



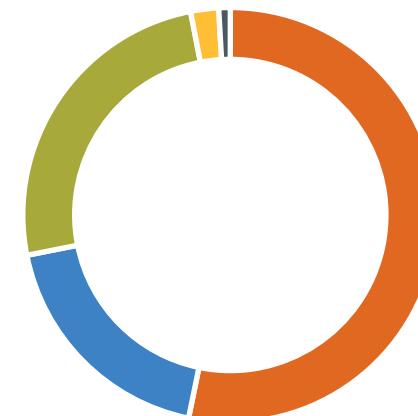
% of Total Portfolio	
Retail	60
Offices	16
Industrial	21
Hospital & Residential	2
Motor Related	1

Vukile








% of Vukile Portfolio	
Retail	67
Offices	17
Industrial	11
Hospital & residential	4
Motor Related	1

Vukile



% of Vukile Portfolio	
Retail	53
Offices	19
Industrial	25
Hospital & Residential	2
Motor Related	1






10 LARGEST RETAIL PROPERTIES

	East Rand Mall	Phoenix Plaza	Gugulethu Square	Dobsonville Shopping Centre	Nonesi Mall
					
Value #	R 1 258m ^{50% share} (8.5%)	R 761m (5.1%)	R 437m (2.9%)	R 413m (2.8%)	R 397m (2.7%)
Region	Gauteng	KwaZulu-Natal	Western Cape Synergy	Gauteng	Eastern Cape
Gross lettable area	69 082m ²	24 363m ²	25 322m ²	23 177m ²	28 147m ²
Monthly Rental *	R 248/m ²	R 234/m ²	R 136/m ²	R 130/m ²	R 112/m ²
National Tenant exposure	87%	80%	90%	85%	96%
Average annual trading density	28,090	36,595	33,592	36,382	25,777
Major Tenants	Edgars 8 140m ² 12% Woolworths 7 636m ² 11% Mr Price 3 676m ² 5% Ster Kinekor 3 190m ² 5% Truworths 2 996m ² 4%	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 1 590m ² 7% Fruit and Veg City 1 000m ² 4% Mr Price 711m ² 3% Joshua Doore 705m ² 3%	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%

% of total portfolio in brackets

* Average base rental excluding recoveries

10 LARGEST RETAIL PROPERTIES

	Pine Crest	Moruleng Mall	Randburg Square	Oshakati Shopping Centre	Durban Workshop
					
Value #	R 389m ^{50% share} (2.6%)	R 378m ^{80% share} (2.5%)	R 378m (2.5%)	R 358m (2.4%)	R 350m (2.4%)
Region	KwaZulu-Natal	Northwest	Gauteng	Namibia	KwaZulu-Natal
Gross lettable area	40 112m ²	31 421m ²	40 767m ²	24 632m ²	19 996m ²
Monthly Rental *	R 143/m ²	R 108/m ²	R 93/m ²	R 121/m ²	R 170/m ²
National Tenant exposure	93%	82%	83%	94%	73%
Average annual trading density	28,014	21,808	14,547	28,723	32,397
Major Tenants	Game Stores 5 672m 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%	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%	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 3 706m ² 15% Pick n Pay 2 713m ² 11% Edgars 1 502m ² 6% Jet Stores 1 289m ² 5% Mr Price 1 225m ² 5%	Pick n Pay 4 576m ² 23% Mr Price 1 041m ² 5% Clicks 664m ² 3% Oriental Restaurant 608m ² 3% Truworths 531m ² 3%

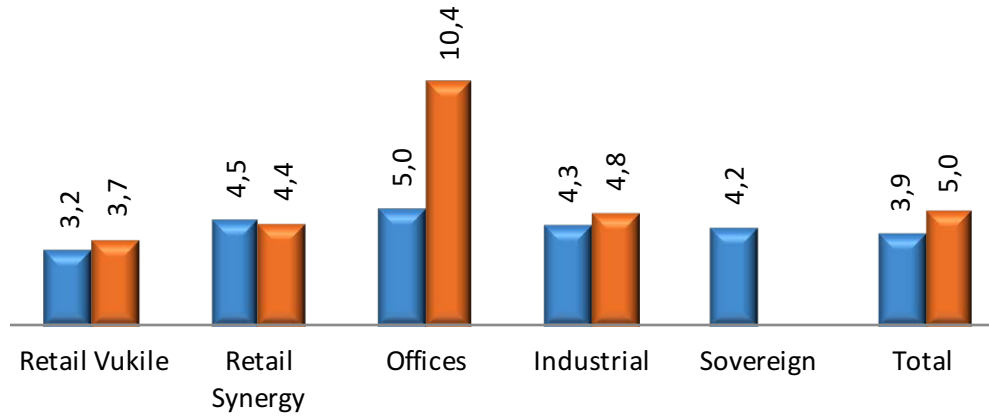
% of total portfolio in brackets

* Average base rental excluding recoveries

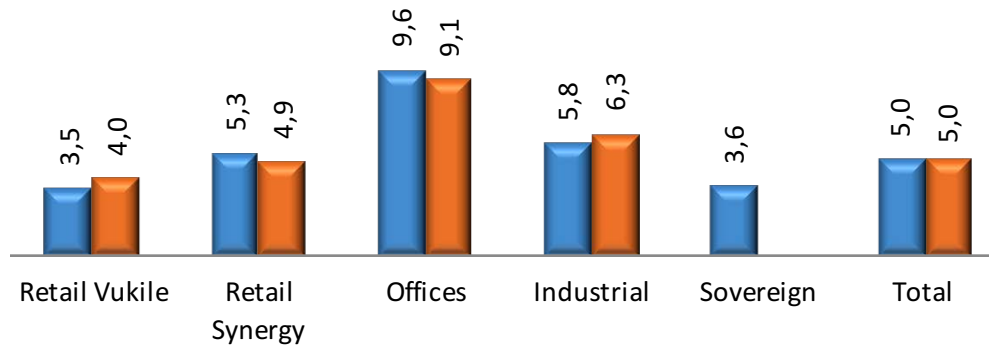
VACANCY PROFILE

Vacancies well contained

Vacancy [% of GLA]



Vacancy [% of Rent]



■ Mar-16
■ Sept-16



INDIVIDUAL PROPERTIES VACANCY PROFILE (% OF GLA)

Vacancy > 1 000m²

RETAIL : VUKILE (3.7%, up from 3.2%)

- Roodepoort Hillfox Power Centre (9.2%)
- Randburg Square (5.6%)
- Vereeniging Bedworth Centre (7.8%)
- Bloemfontein Plaza (5.6%)
- Letlhabile Mall (8%)
- Soweto Dobsonville Shopping Centre (5.4%)
- Mbombela Shoprite Centre (8.5%)

RETAIL : SYNERGY (4.4%, down from 4.5%)

- Hartbeespoort Sediba Shopping Centre (16.2%)
- Emalahleni Highland Mews (9.8%)
- Atlantis City Shopping Centre (6.2%)
- KwaMashu Shopping Centre (9.2%)

OFFICES (10.4%, up from 5.0%)

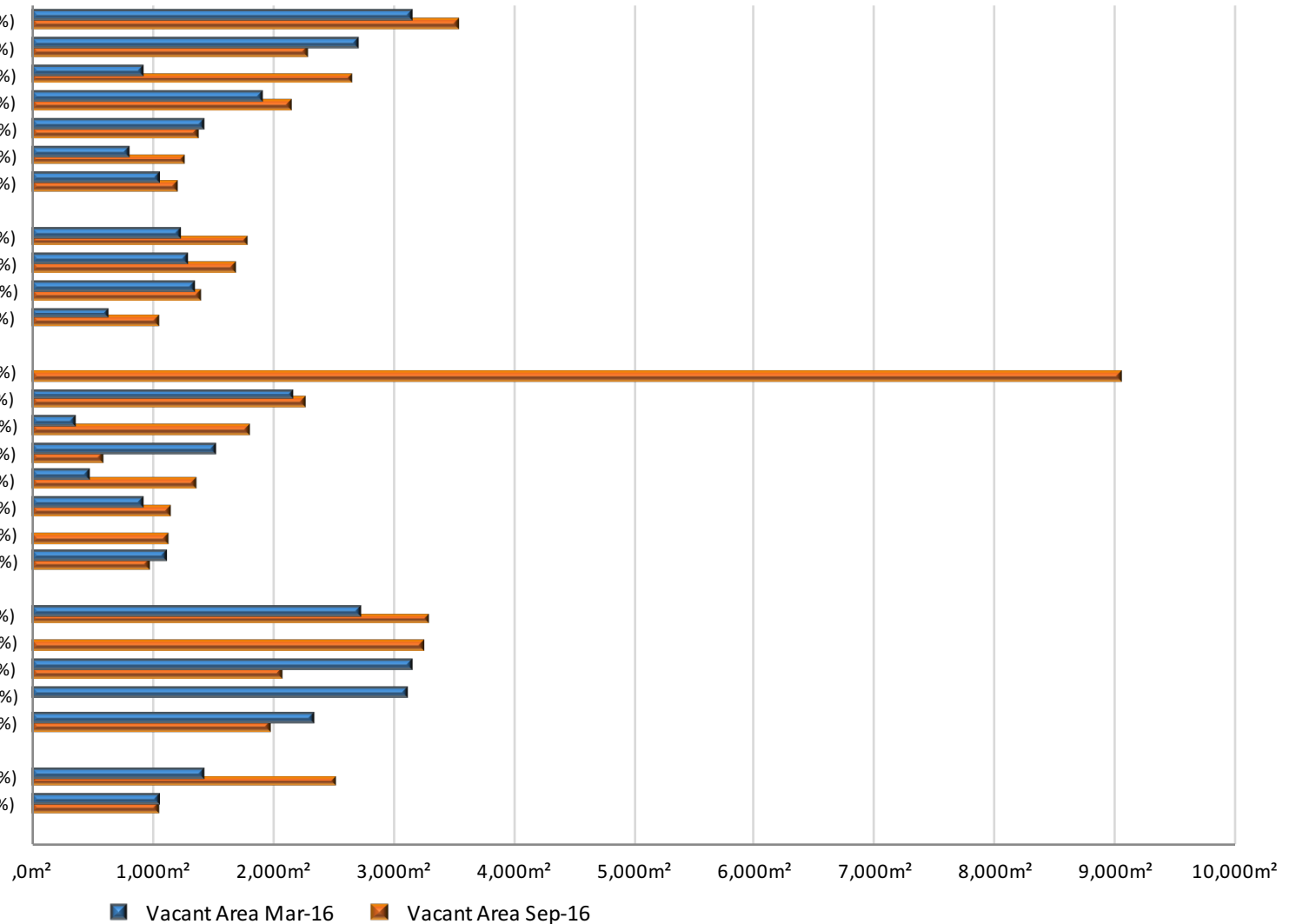
- Sandton Sunninghill Sunhill Park (61%)
- Jhb Isle of Houghton (8.1%)
- Cape Town Bellville Tijger Park (8.8%)
- Sandton Bryanston St Andrews Complex (5.6%)
- Sandton Sunninghill Place (15.4%)
- Pretoria Lynnwood Sunwood Park (17.8%)
- Cape Town Bellville Suntyger (17.7%)
- Pretoria Hatfield 1166 Francis Baard Street (33.2%)

INDUSTRIAL (4.8%, up from 4.3%)

- Sandton Linbro 7 On Mastiff Business Park (21.7%)
- Cape Town Parow Industrial Park (16.3%)
- Germiston Meadowdale R24 (5.9%)
- Roodepoort Robertville Industrial Park (0%)
- Randburg Trevallyn Industrial Park (6.1%)

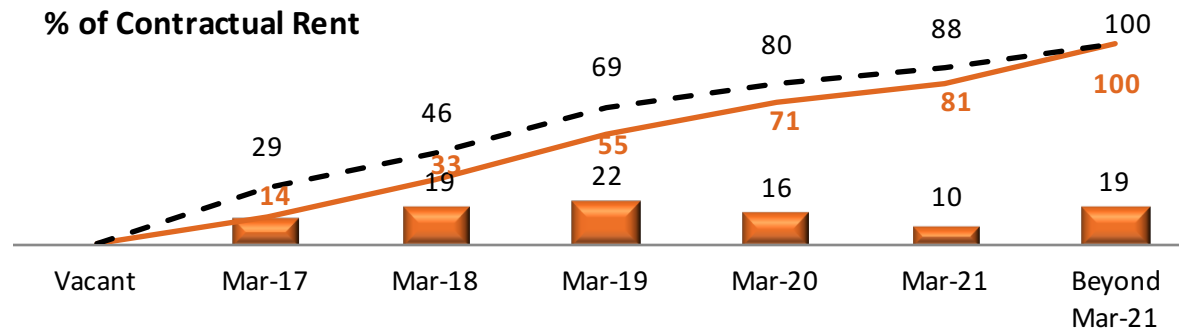
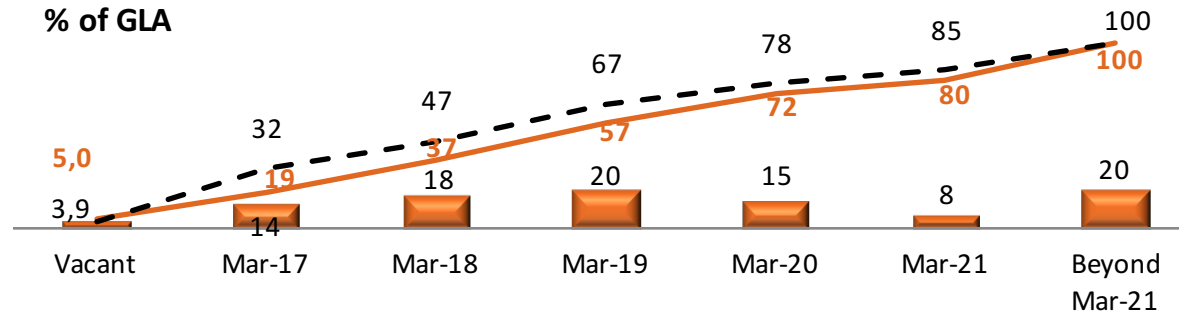
DEVELOPMENT VACANCY (8.6%, up from 6.7%)

- Boksburg East Rand Mall * (4.1%)
- Ermelo Game Centre (20.5%)






EXPIRY PROFILE

Total portfolio (43% expiring in 2020 and beyond)



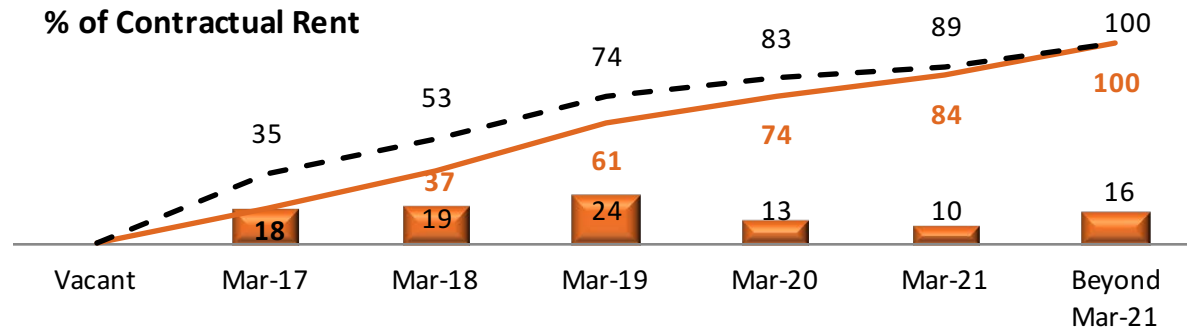
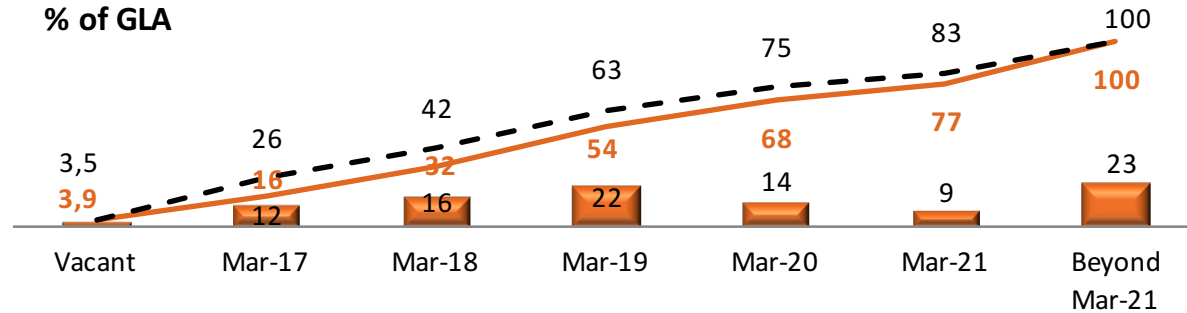
		Vacant	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Beyond
% of GLA	Vukile	5.1	14	19	19	14	7	22
	Synergy	4.4	14	15	22	21	11	13
% of Contractual Rent	Vukile		14	20	22	14	10	20
	Synergy		13	19	24	22	10	12

 GLA/ Rent
 Cumulative as at Sep-16
 Cumulative as at Mar-16






EXPIRY PROFILE

Retail portfolio (46% expiring in 2020 and beyond)



		Vacant	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Beyond
% of GLA	Vukile	3.7	16	32	54	66	74	100
	Synergy	4.4	18	33	55	76	87	100
% of Contractual Rent	Vukile	-	13	32	57	70	80	100
	Synergy	-	13	32	56	78	88	100

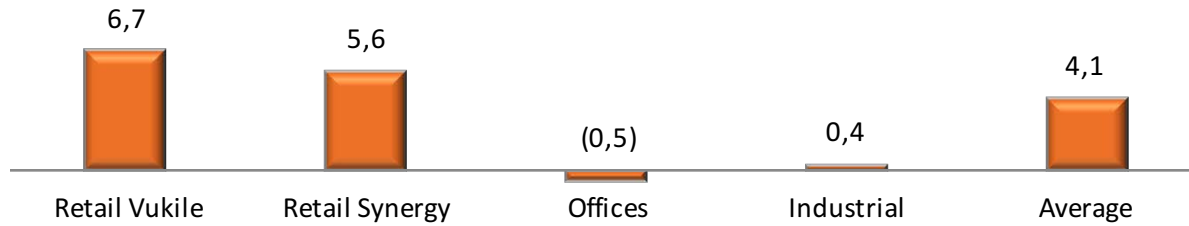
 GLA / Rent
 Cumulative as at Sep-16
 Cumulative as at Mar-16



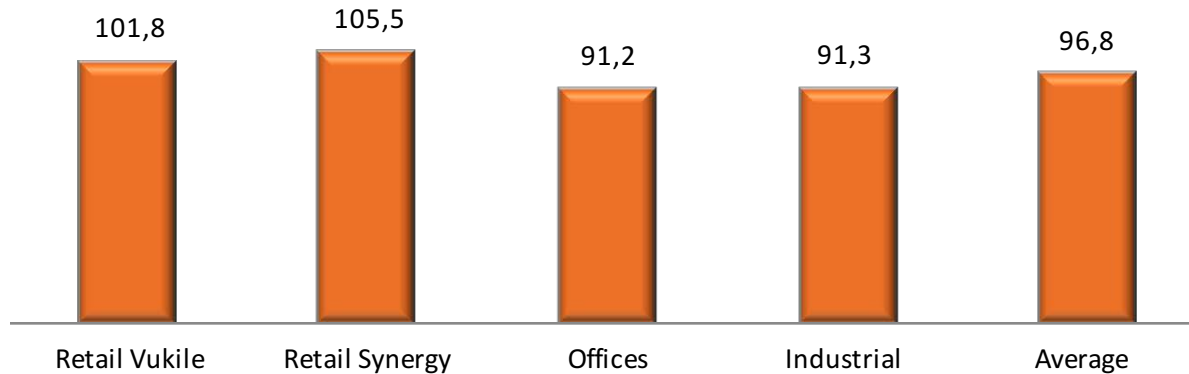
LEASE RENEWALS AND NEW LEASES CONCLUDED

Continued positive retail reversions

Lease renewals - % escalation on expiry rentals

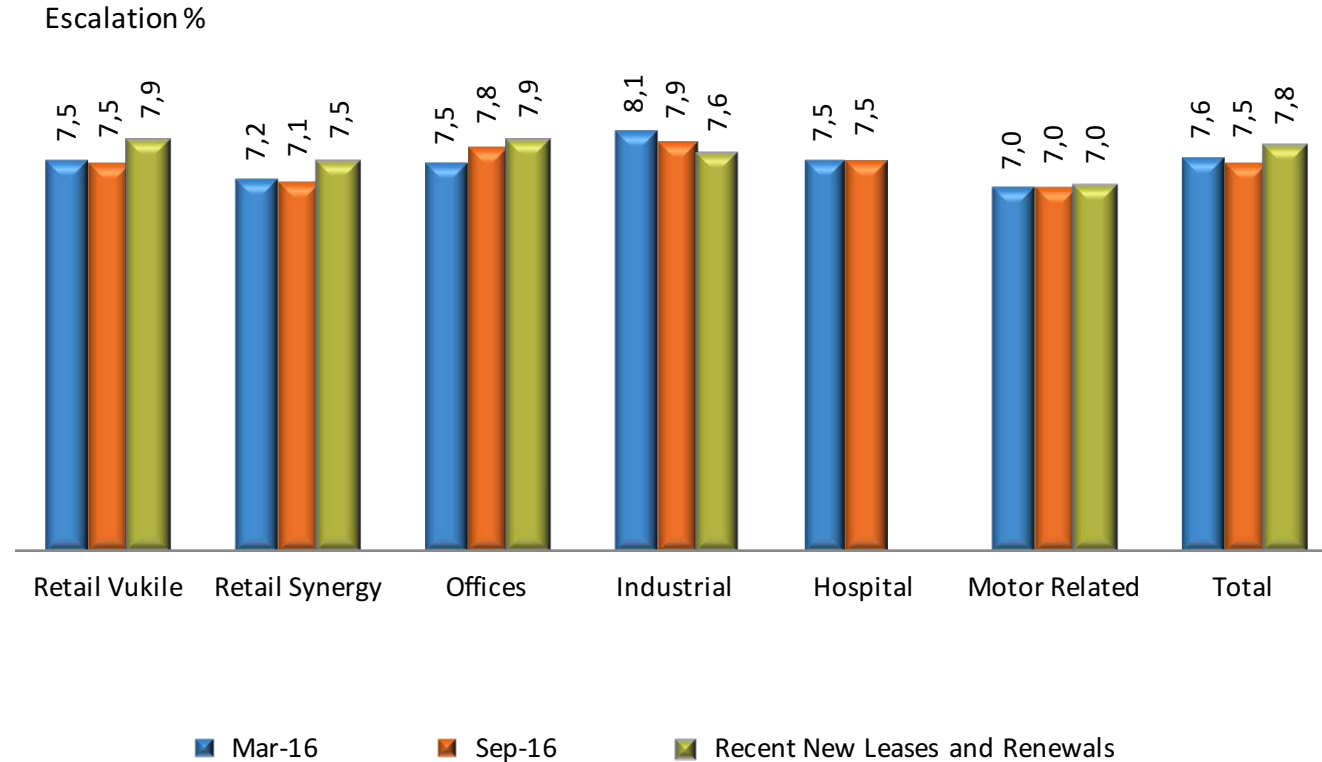


New leases concluded - (Ratio of rental concluded against budget)



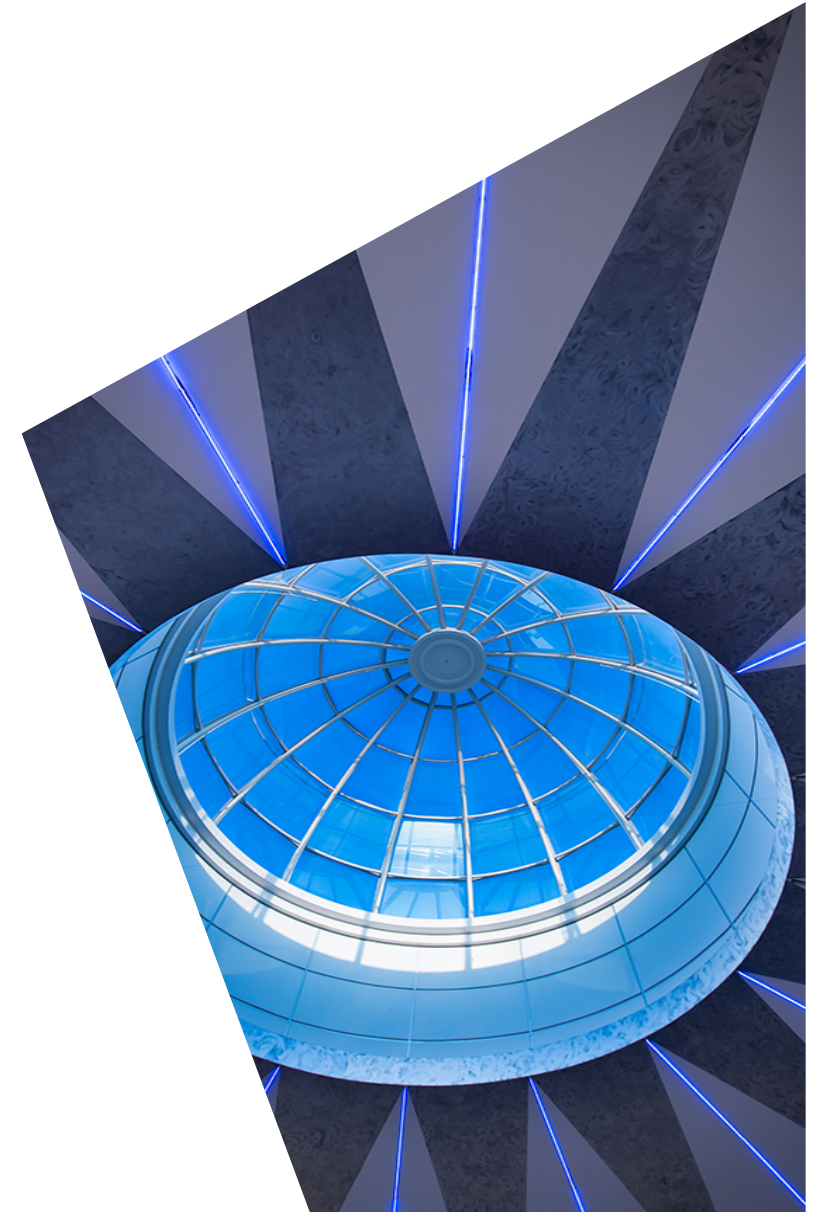
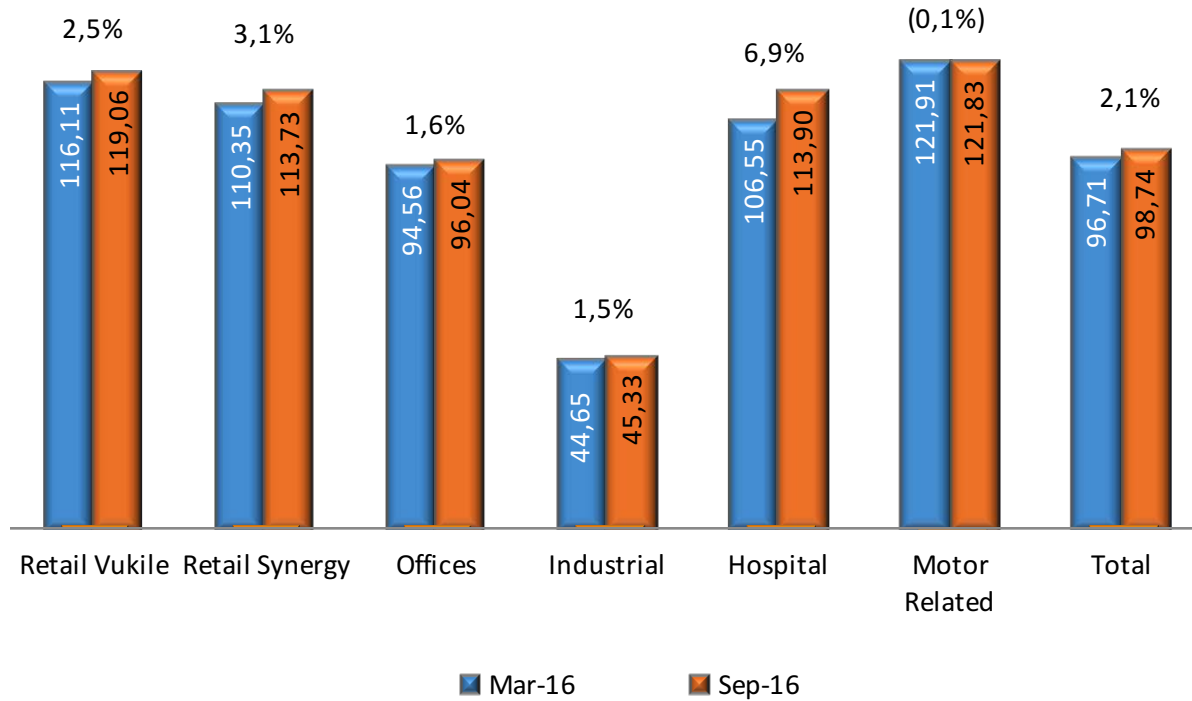
CONTRACTED RENTAL ESCALATION PROFILE

Rental escalations still ahead of inflation



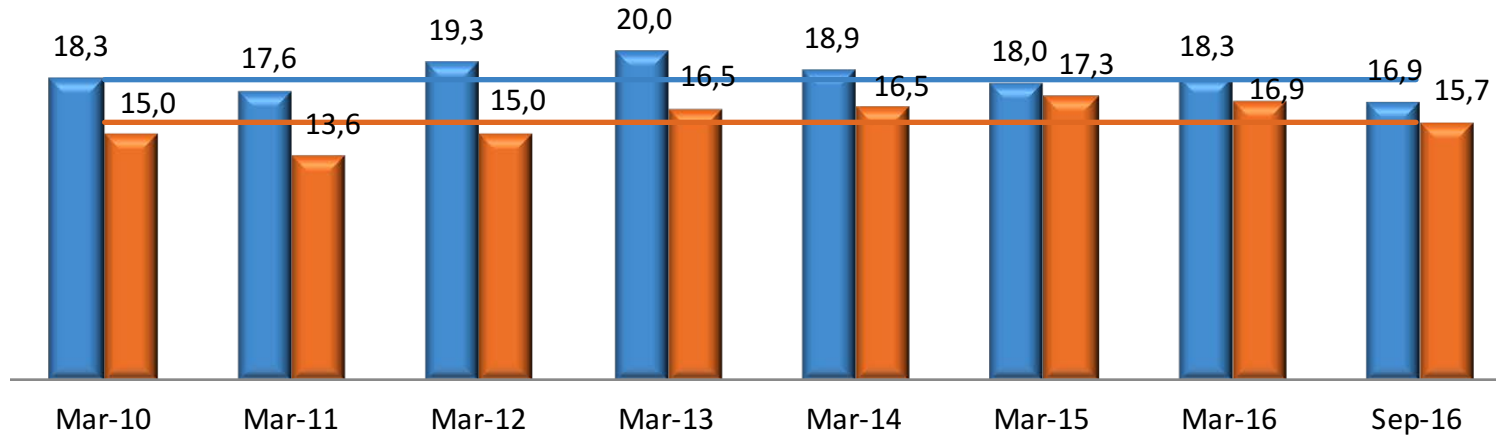
WEIGHTED AVERAGE BASE RENTALS R/m²

Excluding recoveries



RATIO OF NET COST TO PROPERTY REVENUE

Improvement in cost ratios



Stable portfolio excluding recent acquisitions and sales

■ All expenses

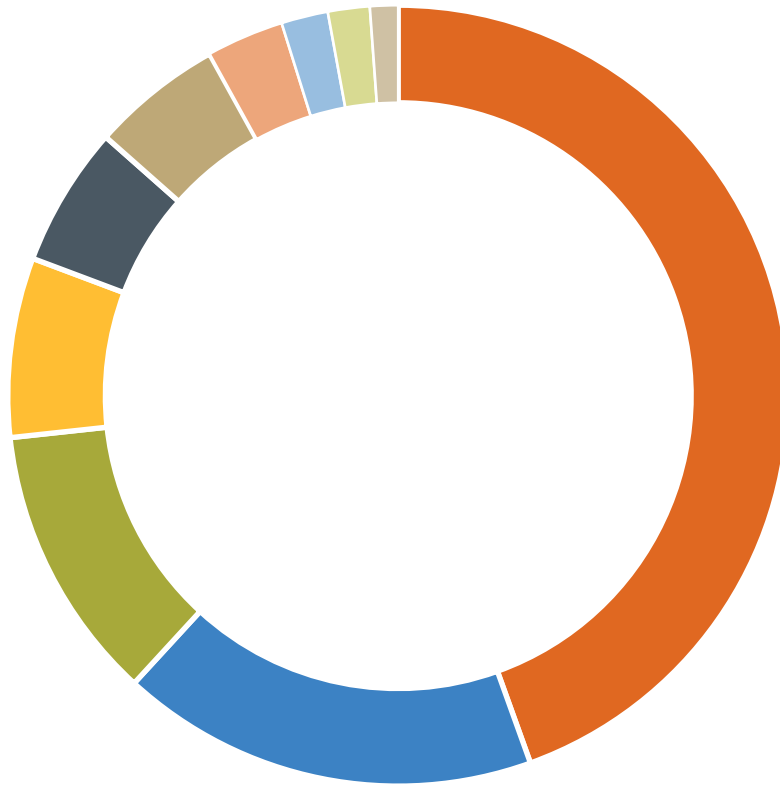
■ All expenses excluding rates & taxes and electricity

		Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-15	Sep-16
All expenses	Vukile	18.3	17.6	19.3	20.0	18.9	18.0	17.9	15.7
	Synergy						18.9	20.2	22.1
All expenses excluding rates, taxes and electricity	Vukile	15.0	13.6	15.0	16.5	16.5	17.2	16.6	14.9
	Synergy						17.5	18.2	18.8



RECURRING EXPENSES

**80% of costs from top four categories;
62% of costs from Government Services and Rates & Taxes with full recovery during the previous six months**



% of Recurring expenses	Total Portfolio	Vukile	Synergy
Government Services	45	44	47
Rates & Taxes	17	17	17
Cleaning & security	12	11	12
Property Management Fee	7	7	8
Maintenance contracts	6	7	2
Sundry Expenses	5	7	1
Leasing Commission	3	3	4
Asset Management Fee	2	1	7
Bad Debt	2	2	1
Insurance Premiums	1	1	1

REFURBISHMENTS AND EXTENSIONS

Durban : The Workshop



- The upgrade to the Workshop in Durban at a cost of R75 million has been completed in June 2016
- Variety of new brands added to tenant mix i.e. Pepcor Group, Edgars Connect, Spec Savers, Ginger International, FNB, Le Coq Sportif and Bidvest
- Dwell times improved with the upgrade of the foodcourt and adding brands such as KFC, McDonalds, Pie City and Maharaj Kitchen
- Footfall in excess of 1.2 million customers per month
- Strong tenant demand post the upgrade

REFURBISHMENTS AND EXTENSIONS

Durban : Phoenix Plaza



- Phoenix Plaza, with a GLA of 24 363m² and a monthly foot count of more than 800 000, is being upgraded at a cost of R24.5 million
- Anchored by Shoprite, the centre is dominant in its primary catchment area and offers a large variety of national retailers as well as smaller specialist tenants catering to the specific needs of the community
- The signage pylons, entrances, external facades of the centre and the parking garage, the mall floors and ceilings and the toilet blocks will be upgraded
- Two new toilet blocks will be added
- The upgrade is programmed for completion in August 2017

REFURBISHMENTS AND EXTENSIONS

Bellville: Barons VW building



- The Barons VW building is strategically situated at the Durban Road intersection with the N1 highway in Bellville
- A 10-year lease has been concluded with Barloworld Auto for the development of a Ford dealership and workshop in the currently vacant area and the area to be vacated by Toys-R-Us
- The first phase, which comprises the workshop and services area, was completed by June 2016. The second phase, comprising the new and second hand car show rooms and offices, will commence in January 2017 for completion by September 2017
- The total capex is R35.4 million and a yield of 15.1%, net of costs, is anticipated

PLANNED REFURBISHMENTS AND EXTENSIONS

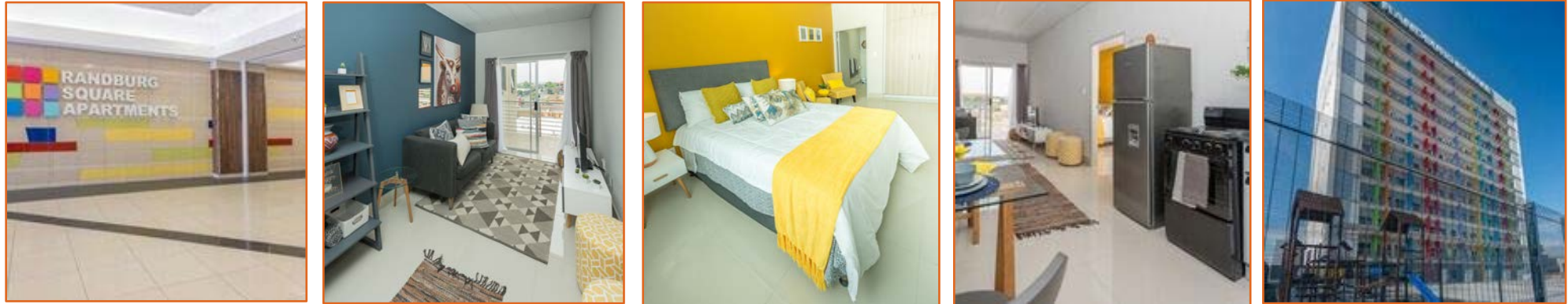
Setsing Crescent : (Synergy Portfolio)



- Setsing Crescent in Phuthadjithaba, with a GLA of 22 250m², will be extended and upgraded at a cost of about R330 million with an expected net yield in excess of 9.0%
- The centre is currently anchored by Super Spar, Game, BuildIt and Cashbuild while the balance of the tenants include most of the national fashion retailers as well as the major banks
- The centre will be extended by about 12 000m² and new tenants will include Pick 'n Pay and a Mr Price emporium, while some of the existing national tenants, like Woolworths, will relocate to bigger premises in the new extension
- After the extension Setsing Crescent will not only be the biggest, but also the dominant shopping centre in the area
- A new under cover taxi rank with easy access for customers to the shopping mall will be built
- About 85% of the extension area has already been committed to by national tenants, confirming the confidence of retailers in Phuthaditjhaba
- Flanagan & Gerard Property Development will act as development managers, project managers and leasing agents for the project
- The projected completion date is July 2018

CONVERSION

Randburg Square Residential



- The conversion of the B grade office building into 180 quality affordable apartments was completed on 31 October 2016
- The Apartments comprise a mix of Studios, 1 bed 1 bath and 2 bed 1 bath units
- The total capex for the conversion amounted to R78 million at a yield of 9.8% when let
- Currently 61% occupied and 100% occupancy expected early 2017
- Tenants are mid-income consumers mainly between 28 and 34 years
- The building's entire façade was upgraded nearly 40 years after it was built
- The project was designed with utility efficiency in mind and will be monitored by Smart pre paid metering technology

ENERGY MANAGEMENT- ACHIEVEMENTS

Achievements to date: (2015-01 to 2016-11)

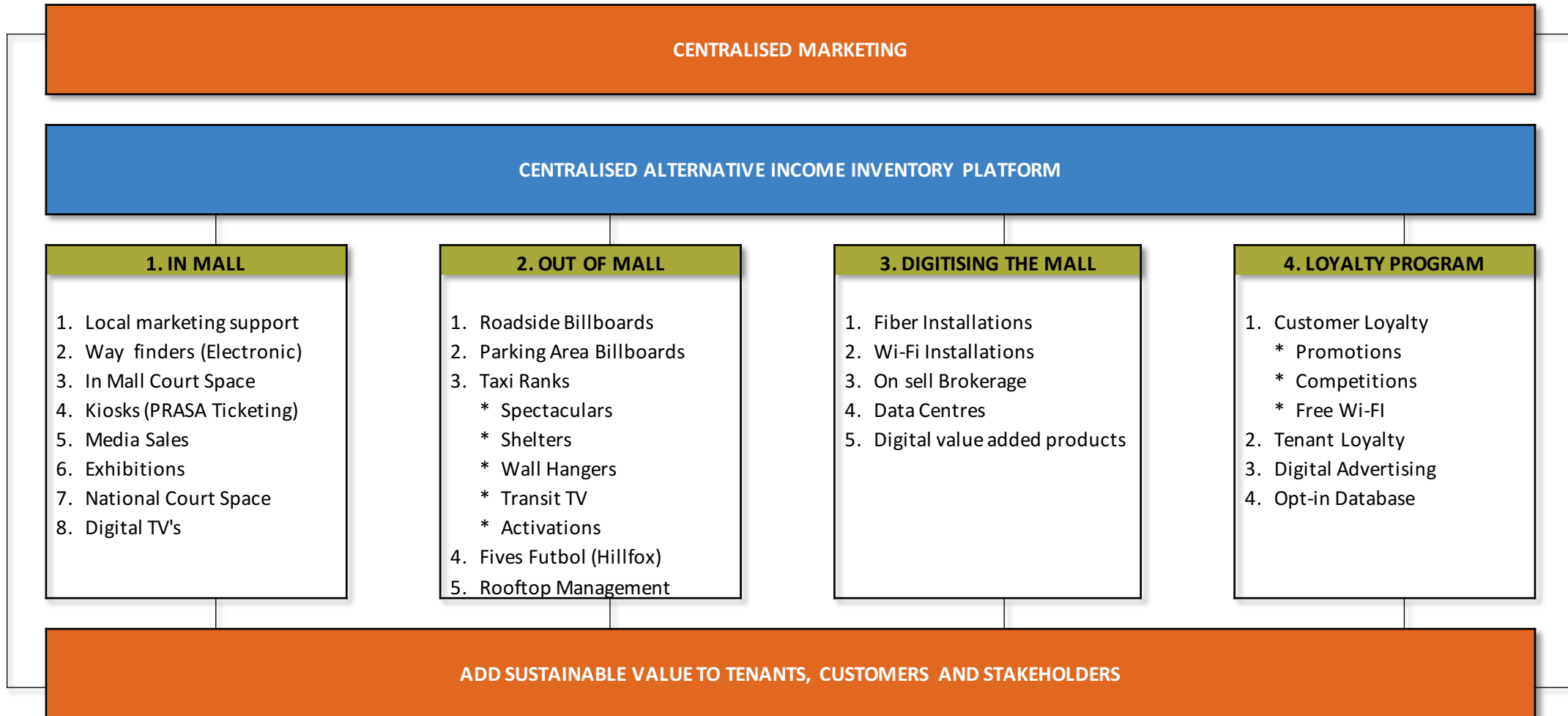
- Achieved savings: 2.74 Million kWh relating to R 3 million electricity cost savings
- Billing and metering optimisation: R 3.5 million
- Renewable energy (PV): 400 000 kWh
- PV installed capacity of 1.35 MW
- Over 400 electricity smart meters installed
- More than 780 light fittings retrofitted with building upgrades

Energy management 12 month target:

- Tariff changes resulting in annual savings of more than R 1.3 million
- Energy savings of more than 1.6 million kWh
- Water recovery improvements of more than R 900 000
- Increasing PV capacity with 1.56 MW in 2017
- Renewable energy (PV): 2.3 million kWh



ALTERNATE INCOME STRATEGY



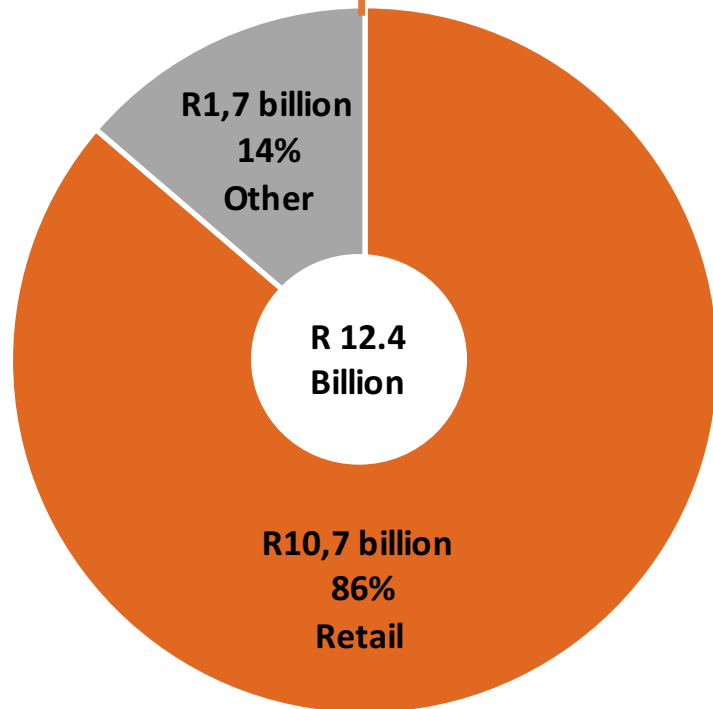
VUKILE POST THE GEMGROW TRANSACTION*



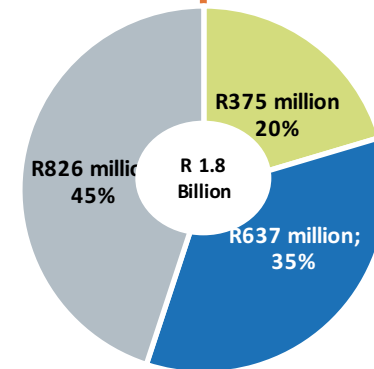
R 14.2 billion

Direct Property

Indirect Property



GEMGROW
PROPERTIES



FAIRVEST
PROPERTY HOLDINGS

Atlantic Leaf

*Transaction still subject to Competition Commission approval

VALUATION PARAMETERS

A specialist SA Retail portfolio

Direct Property Portfolio	Portfolio Prior GemGrow Transaction	Portfolio Post GemGrow Transaction	Retail Post GemGrow Transaction
<ul style="list-style-type: none"> Valuation 	R14.9 billion	R12.4 billion	R10.7 billion
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Average value per property 	R151m	R180m	R244m
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Average discount rate 	14.2%	14.1%	14.0%
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Average exit capitalisation rate 	9.6%	9.4%	9.2%
<ul style="list-style-type: none"> Number of properties 	98	69	44
<ul style="list-style-type: none"> GLA 	1 270 734m ²	931 963m²	762 974m ²

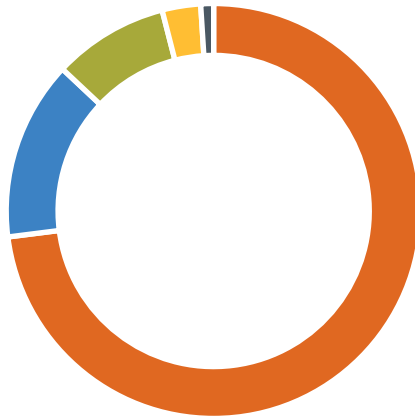


SECTORAL PROFILE

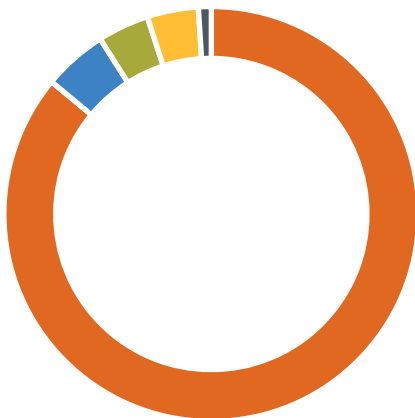
Retail sector exposure increased from 73% to 86%

Market Value

Prior GemGrow Transaction R14.8bn



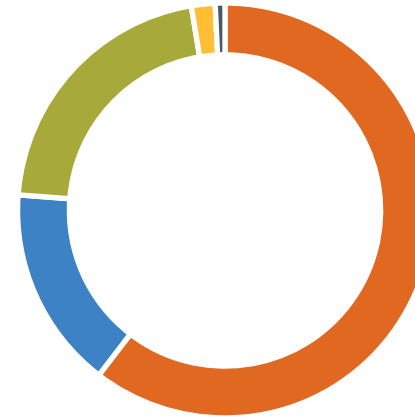
Post GemGrow Transaction R12.4bn



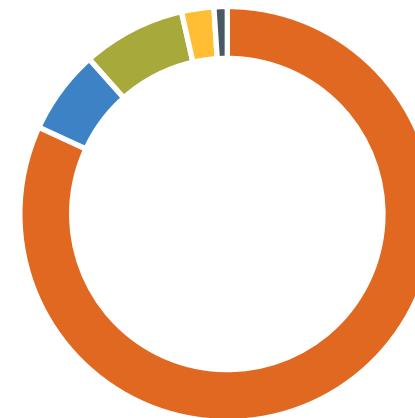
	% of Total Portfolio	
	Prior	Post
Retail	73	86
Offices	14	5
Industrial	9	4
Hospital & Residential	3	4
Motor Related	1	1

GLA

Prior GemGrow Transaction 1 270 734m²



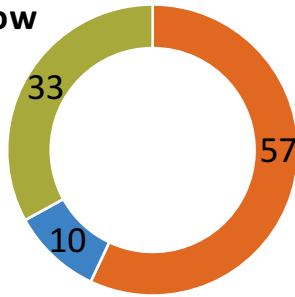
Post GemGrow Transaction 931 963m²



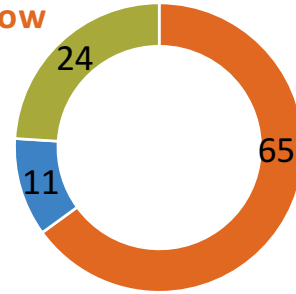
	% of Total Portfolio	
	Prior	Post
Retail	60	82
Offices	16	7
Industrial	21	8
Hospital & Residential	2	2
Motor Related	1	1

TENANT EXPOSURE

Prior GemGrow transaction



Post GemGrow transaction

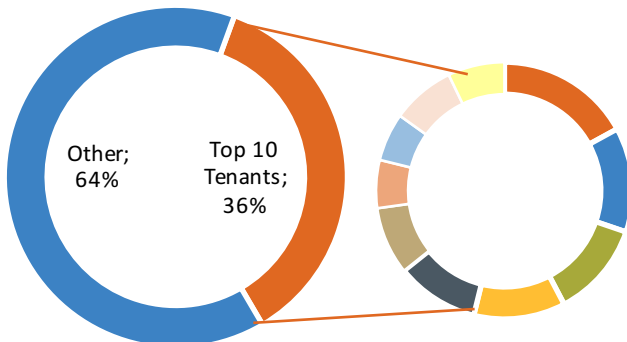


- Large national and listed tenants and major franchises
- National and listed tenants, franchised and medium to large professional firms
- Other

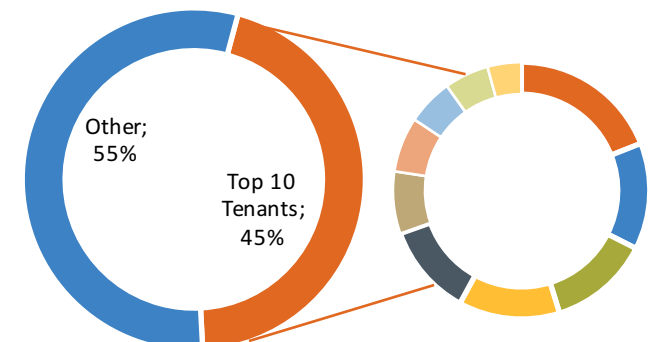
Top 10 tenants : % of Total Portfolio GLA

	Prior GemGrow transaction	Post GemGrow transaction
Shoprite	6.2	8.5
Steinhoff	4.8	6.0
Edcon	4.4	5.7
Pick n Pay Stores	4.2	5.7
Spar	3.8	5.2
Massmart	3.1	3.5
Foschini	2.2	3.1
Medi-Clinic	2.2	2.6
Mr Price		2.5
Truworths		1.9
Government	2.9	
Mahle Behr	2.6	

Prior GemGrow Transaction

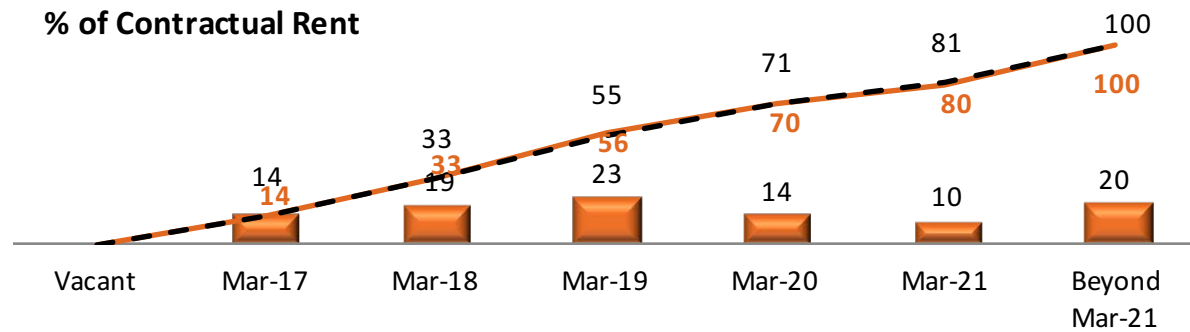
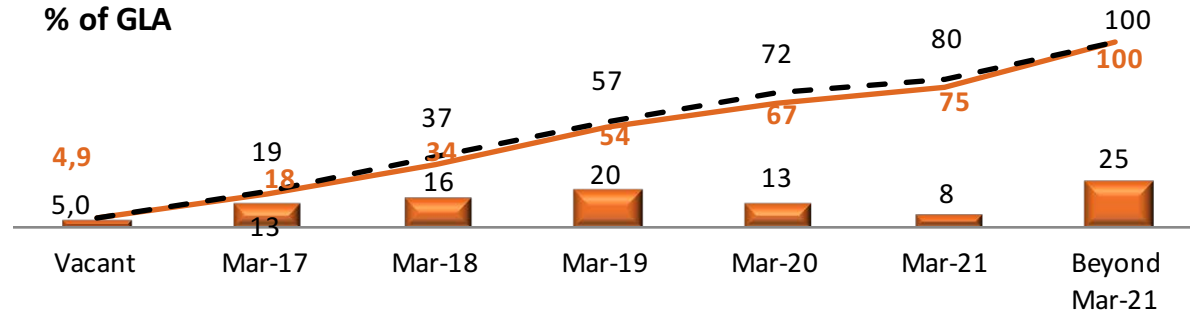





Post GemGrow Transaction

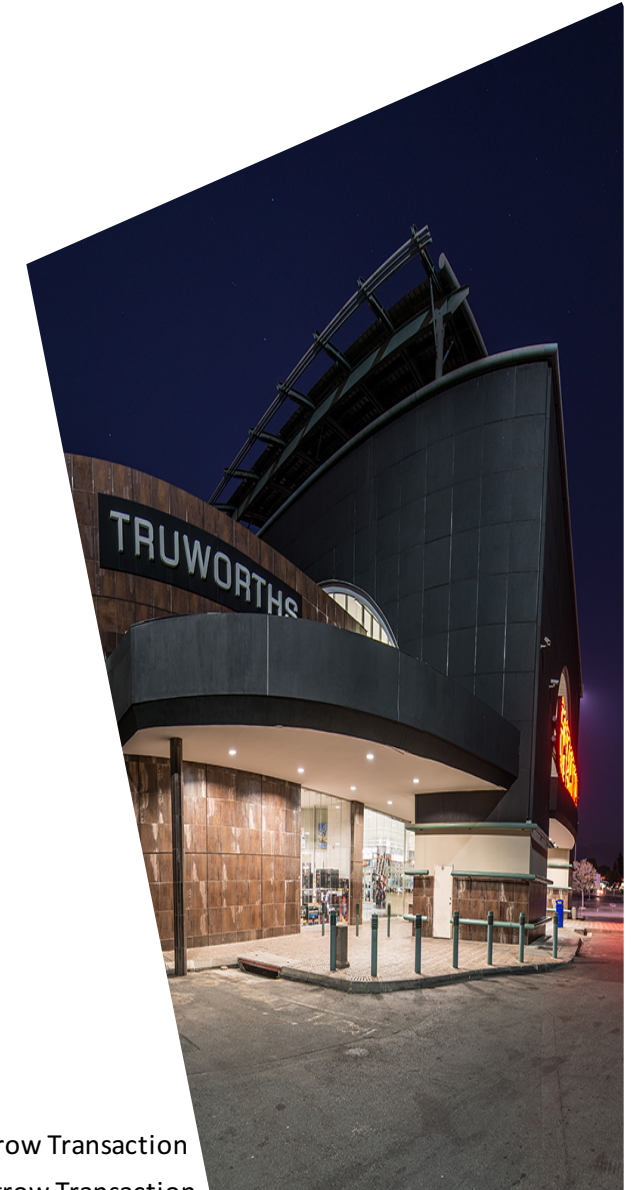


EXPIRY PROFILE

Post GemGrow total portfolio (46% expiring in 2020 and beyond)



 GLA / Rent
 Post Gemgrow Transaction
 Prior Gemgrow Transaction



THE WAY FORWARD

- Primary focus is now clearly on retail assets in South Africa
- Remaining non-retail assets will be recycled when the time is right
- Heavy focus on adding value to existing assets
 - Better yields than buying new assets
 - Lower risk as we know the assets and market
- Created a real high quality retail portfolio with excellent operating metrics



ACQUISITIONS, DISPOSALS AND DEVELOPMENTS

Sedise Moseneke


VUKILE
PROPERTY FUND

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DISPOSALS

Properties transferred – R1 181.3 million

In line with the group's strategy to focus on retail assets, the following properties were disposed of during the year:

	Sales price R000	Yield %	Dates of sale
Bloemfontein Fedsure House	89 700	8.6	31 August 2016
Pretoria Arcadia Suncardia	265 600	10.0	31 August 2016
Pretoria De Bruyn Park	305 100	9.3	31 August 2016
Pretoria Koedoe Arcade	129 700	12.2	31 August 2016
Pretoria Navarre Building	391 200	16.1	31 August 2016
	1 181 300	12.0	



DISPOSALS

Further sales concluded – R443.9 million

In support of the retail strategy, further sale agreements to the value of R443.9 million have been concluded with reputable purchasers for the sale of the following properties. The transactions have progressed to the levels as indicated below:

	Sales price R000	Yield %	Progress
Cape Town Parow De Tijger Day Clinic	31 860	8.0	Securities for purchase price in place and transfer expected November 2016
Cape Town Parow De Tijger Office Park	38 940	11.8	Securities for purchase price in place and transfer expected November 2016
Cape Town Bellville Louis Leipoldt	373 100	8.0	Only outstanding suspensive condition is Competition Commission approval
	443 900	8.3	

The proceeds from property sales will be used to repay debt, as well as fund a potential accretive acquisition, which is currently under negotiation



DEVELOPMENT IN PROGRESS

Springs Mall - Johannesburg



- Springs Mall will be a dominant regional mall measuring 48 227m² 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 R259.6 million at a guaranteed initial yield of 8%, current expected yield >9.38%
- 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 95% 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 characterised 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 March 2017
- Pre funded and will be earnings accretive from day one

DEVELOPMENT IN PROGRESS

Thavhani Mall - Thohoyandou Limpopo



- Thavhani Mall will be a dominant regional mall measuring 50 373m²
- 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 R350.1 million at a guaranteed initial yield of 8%, current expected yield >9.13%
- 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 81% 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 characterised 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 August 2017
- Pre funded and will be earnings accretive from day one

CORPORATE ACTIVITY AND STRATEGY

Laurence Rapp


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KEY STRATEGIC PILLARS

Delivering on our promises

- **Restructure the direct portfolio to become a specialist retail fund**
 - Vukile/Synergy/Arrowhead transaction
 - Sovereign portfolio sale
 - Retail developments coming on stream
- **Conservative balance sheet management**
 - Keep gearing around 30% and maintain hedging at a minimum of 75%
 - Pay down debt through asset sales of non-core properties
 - Synergy/Arrowhead transaction will reduce gearing by c./R976 million
- **International Expansion**
 - Atlantic Leaf to become a springboard for further growth
 - Evaluating other markets and opportunities in developed Europe
 - Seeking strong local partners with an existing portfolio/business with good growth prospects and who are looking for capital
- **Strong operational focus to continue**
- **Residential**
 - No longer a key priority



VUKILE POST THE GEMGROW TRANSACTION*

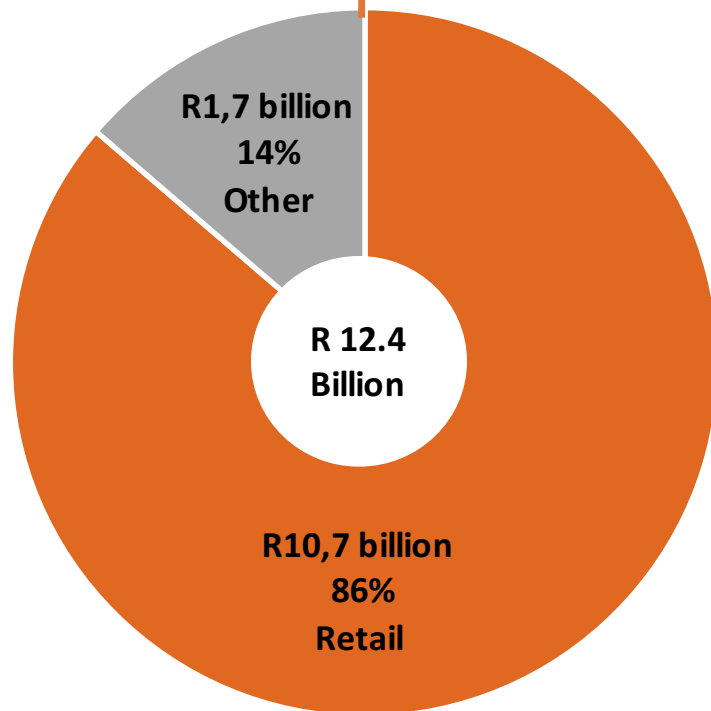
Indirect Portfolio



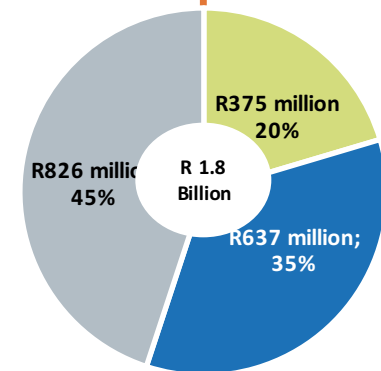
R 14.2 billion

Direct Property

Indirect Property



GEMGROW
PROPERTIES



FAIRVEST
PROPERTY HOLDINGS

Atlantic Leaf

*Transaction still subject to Competition Commission approval

FAIRVEST

Core strategic holding of around 30%

- Evaluated various options and have concluded that the best way forward is to remain as a strategic shareholder
- Not looking to take over the company
- Completely aligned with Vukile's core retail strategy
- Cost effective way to get exposure to same demographics and tenants but in smaller properties
- Very strong management team that has consistently delivered on its promises
- Good opportunities to display strong asset management skills and add value to assets



GEMGROW

Tactical holding of c.29%*

- High growth, high yield fund making use of the scarce A/B share structure
- Backing the expertise of the Arrowhead team in this market segment
- Expect significant deal activity
- Not planning to invest further capital hence expect to dilute shareholding percentage over time
- In time becomes currency to pursue core strategy

*Assuming Competition Commission approval is obtained



ATLANTIC LEAF

29.59% holding, platform into the United Kingdom

- Total Value of Investment of £45 million in Atlantic Leaf accounting for a 29.59% stake
 - Increased investment by £10.7 million, funded through offshore funding (100% hedged at 3.25%)
- Atlantic Leaf Investment continues to deliver:
 - Listing transferred onto JSE Main Board on 7th November 2016
 - Successful accelerated Book Build on 9th November 2016 for £20 million (R 341 million) at an issue price of £1.07 (R 18.14)
 - Capital Raise proceeds used to acquire DHL warehouse for £29.5 million with cash-on-cash return c. 9.3%
 - Management proactive in asset management and sold Wombourne for £11.3 million (acquired for £9.1 million in March 2015 as part of British Capital portfolio)
- Vukile's strategy is to increase its exposure to the United Kingdom with Atlantic Leaf:
 - Strategic platform for investments into the United Kingdom
 - Existing management team and infrastructure positioned for further expansion
 - Considering co-investing on certain assets with Atlantic Leaf

ATLANTIC LEAF

Key property portfolio stats (as at 26 October 2016) (48 properties)

AUM
£283 million

Average yield
7.7%

Ave. cost of debt
3.20%

13 tenants

WAULT
11.9 years

LTV
51.5%

Portion of debt fixed
74%

GLA
383 600m²

INTERNATIONAL STRATEGY

Buying into a Property Strategy vs Buying into a Property Portfolio

- Exploring opportunities in developed markets – Western Europe, United Kingdom and North America
- Will consider investments across all sectors
- Strategy is to **partner** with local real estate companies with:
 - Deep local expertise and knowledge
 - Access to deal-flow pipeline
 - Proven and sustainable expansion and growth potential
 - Complimentary vision, values and investment profile to Vukile
 - Alignment of interests through co-investment alongside Vukile
- Focus is to build skills and infrastructure by supporting local partners through Vukile's core competencies:
 - Entrepreneurial approach to deal making
 - Disciplined and conservative financial and balance sheet management
 - Strong focus on active asset management

OPERATIONAL FOCUS

- Strong Operational focus to continue
 - Vacancies
 - Energy management
 - Alternative income management (AIM), non-GLA revenue
 - Bad debt and arrears management
- New IT System implementation
 - Asset management, MIS and strategic analysis tools
 - Implemented by December 2016



PROSPECTS

- Upbeat around the platform we have created
 - Local retail focus
 - Available resources in excess of R1.5 billion without having to access the market for new equity
- Very difficult SA operating environment with :
 - Limited local growth
 - High levels of volatility
- Adopt a conservative and defensive approach:
 - Continue to drive the creation of a high quality, low risk portfolio
 - Gearing to remain conservative and well hedged
 - Recycling of non-core assets
- Limited appetite for local deals unless assets re-price
 - Will only look at accretive deals and see more opportunity in investing in our existing assets
- Entrepreneurial approach to further offshore expansion
 - Atlantic Leaf
 - Potentially other markets provided we identify strong local partners
- Expect to deliver growth in distributions for the year of around 7%



ACKNOWLEDGEMENTS

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



QUESTIONS AND ANSWERS



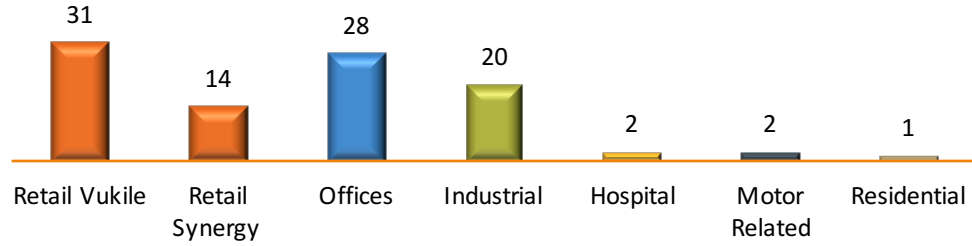
APPENDIX



VALUATION PARAMETERS

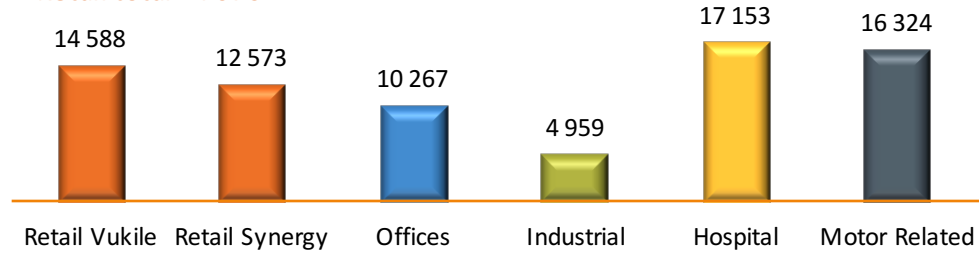
Number of properties (98)

Retail total 45



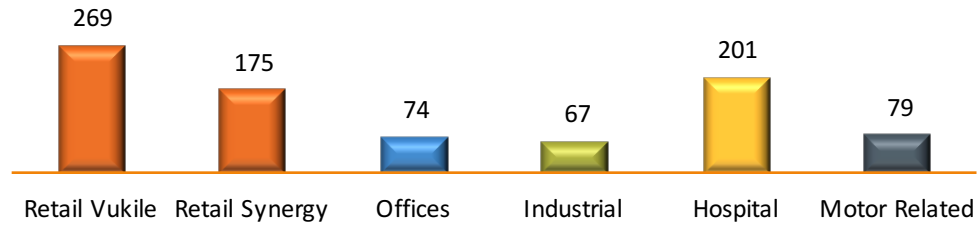
Value per m² (R11 669/m²)

Retail total 14 076

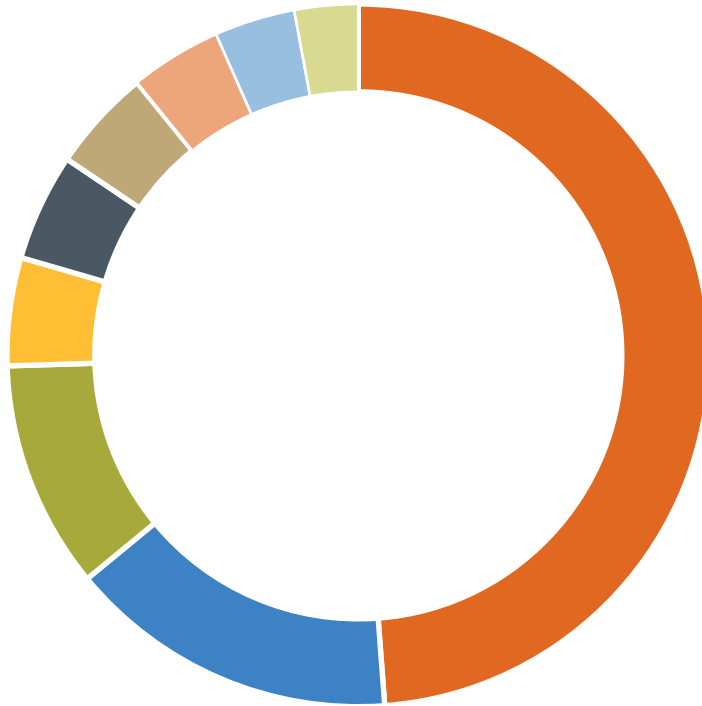


Average value per property (R151m)

Retail total 240



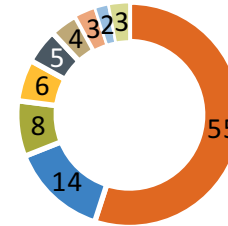
GEOGRAPHICAL PROFILE (GLA m²)



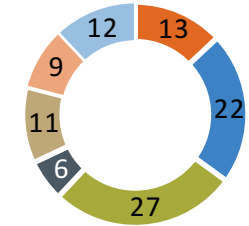
% of Portfolio

■ Gauteng	49
■ KwaZulu-Natal	15
■ Western Cape	10
■ Namibia	5
■ Northwest	5
■ Free State	5
■ Limpopo	4
■ Mpumalanga	4
■ Eastern Cape	3

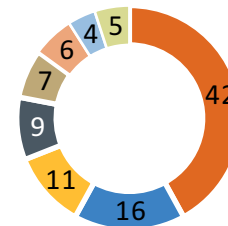
Vukile



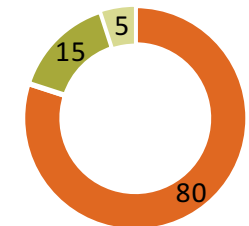
Synergy



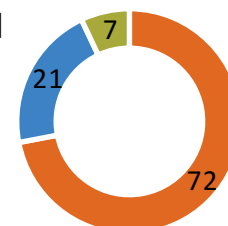
Retail Vukile



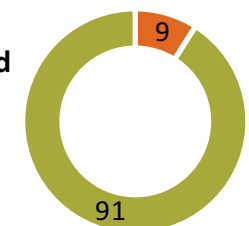
Offices



Industrial

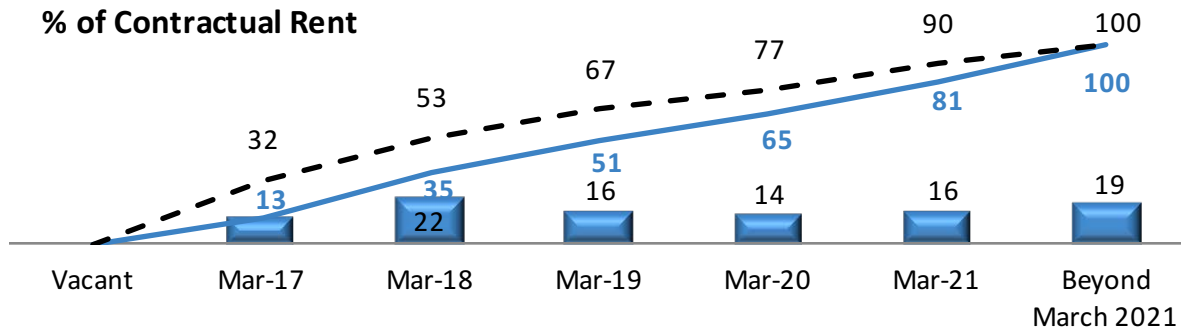
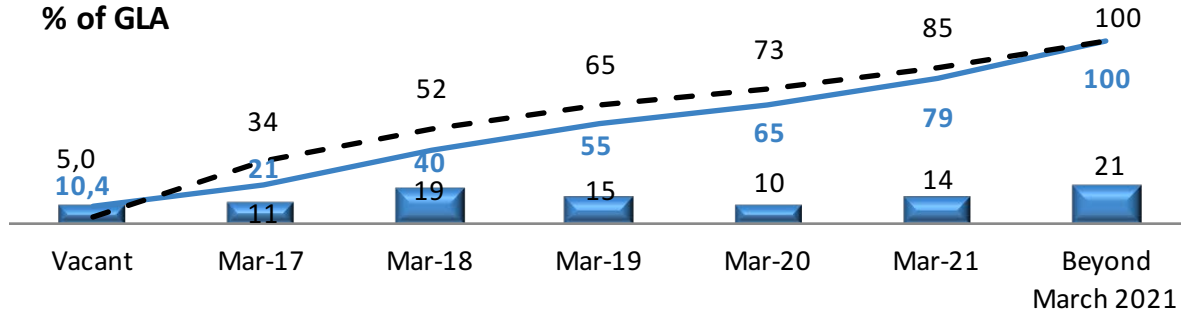





Hospital and Motor Related



EXPIRY PROFILE

Office portfolio (45% expiring in 2020 and beyond)

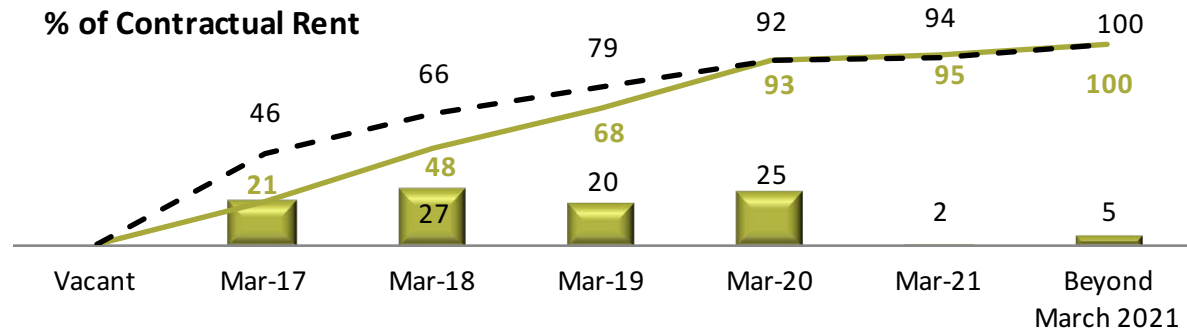
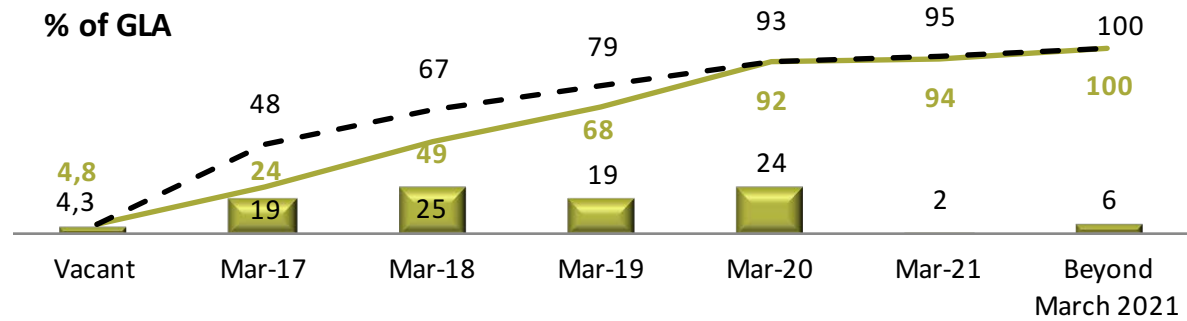


 GLA / Rent
 Cumulative as at Sep-16
 Cumulative as at Mar-16



EXPIRY PROFILE

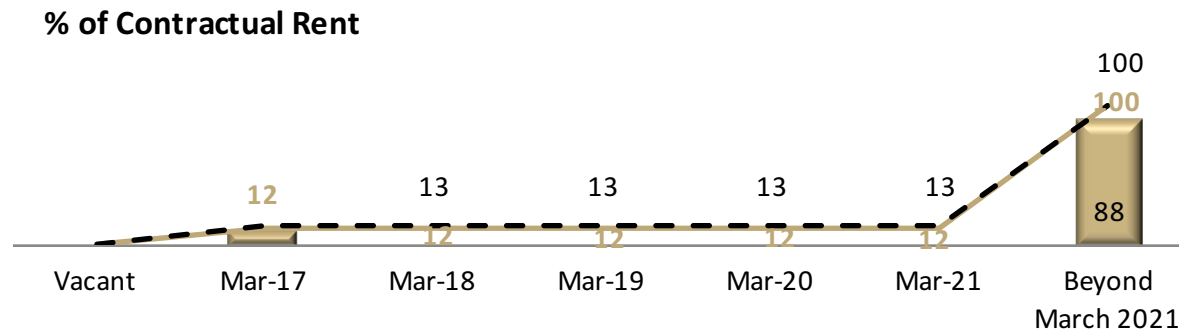
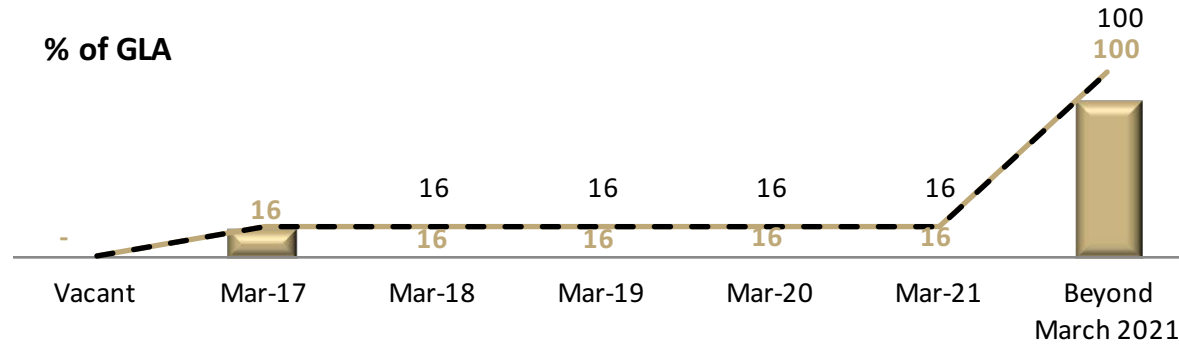
Industrial portfolio (32% expiring in 2020 and beyond)



- GLA / Rent
- Cumulative as at Sep-16
- Cumulative as at Mar-16

EXPIRY PROFILE

Hospital and motor related portfolios (84% expiring in 2020 and beyond)

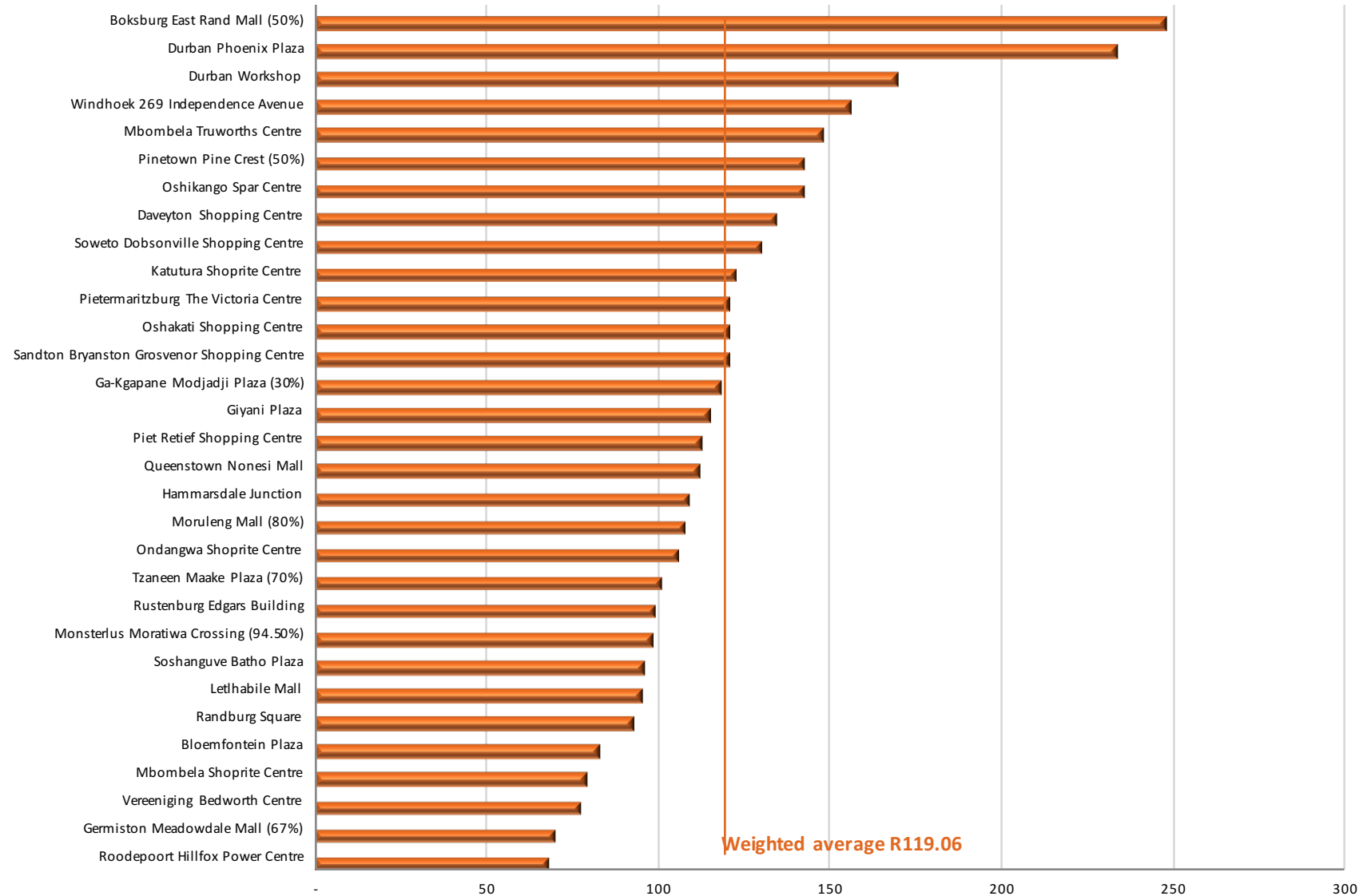


- GLA/ Rent
- Cumulative as at Sep-16
- Cumulative as at Mar-16



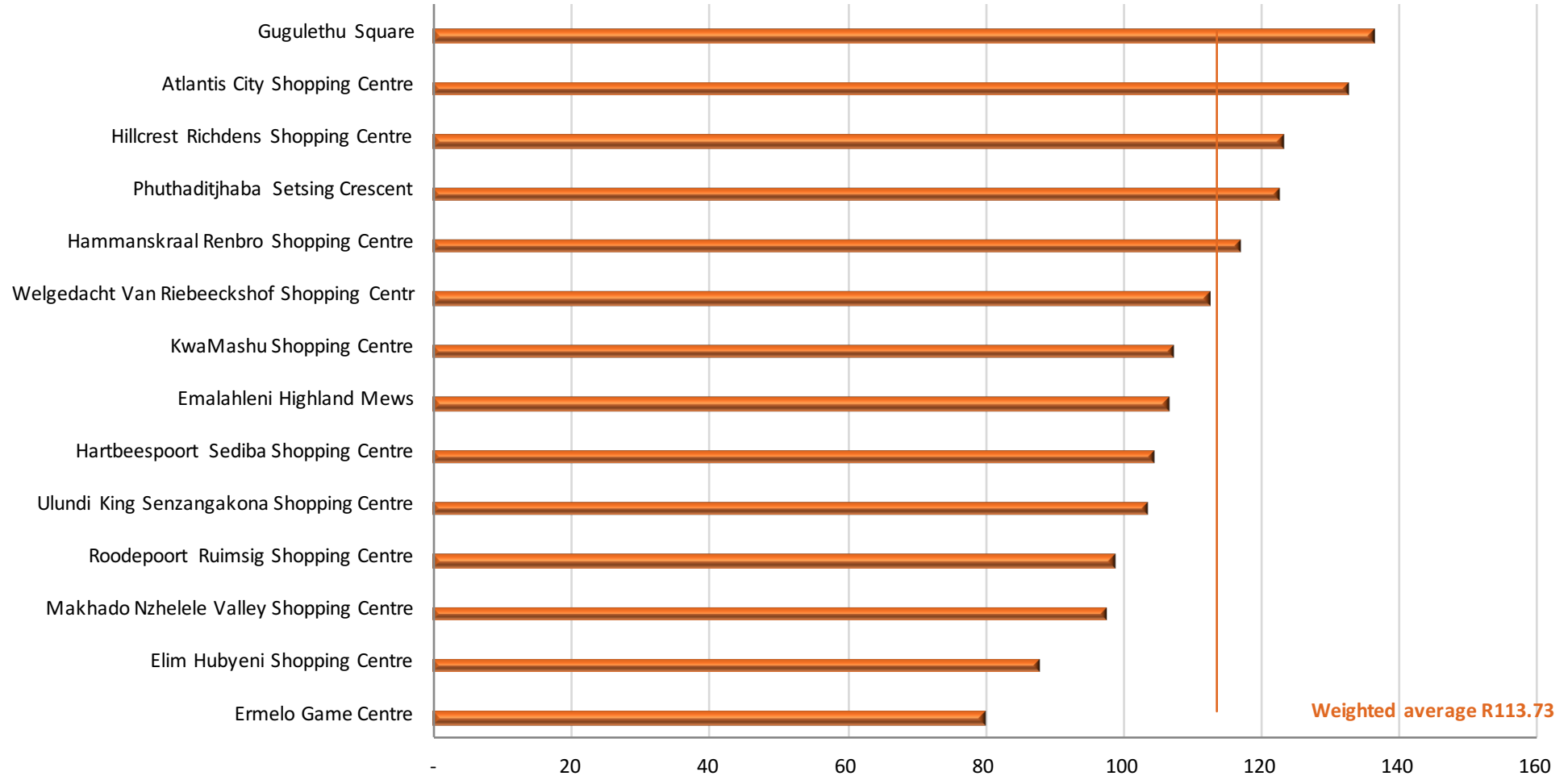
WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Retail Vukile portfolio



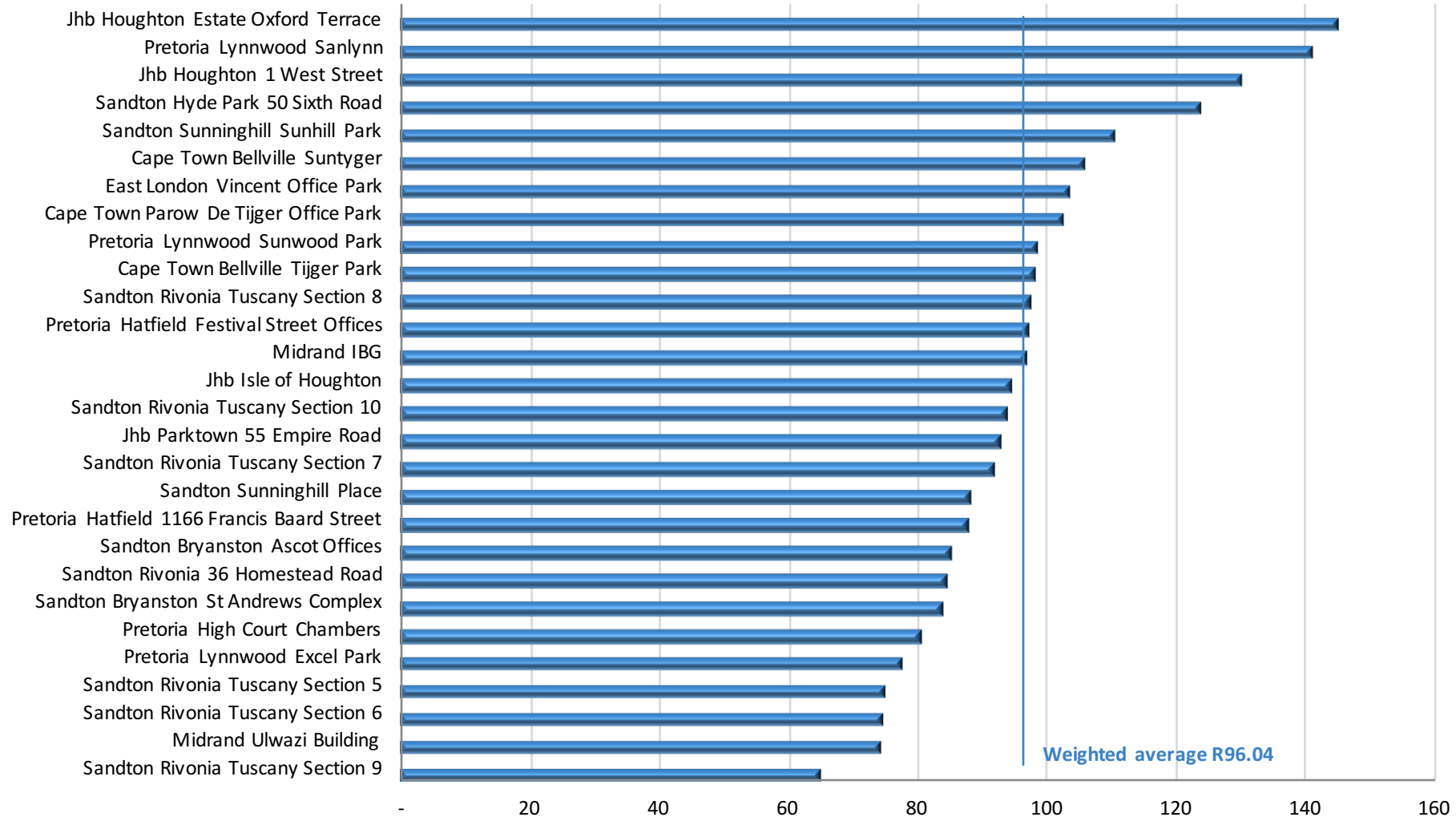
WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Retail Synergy portfolio



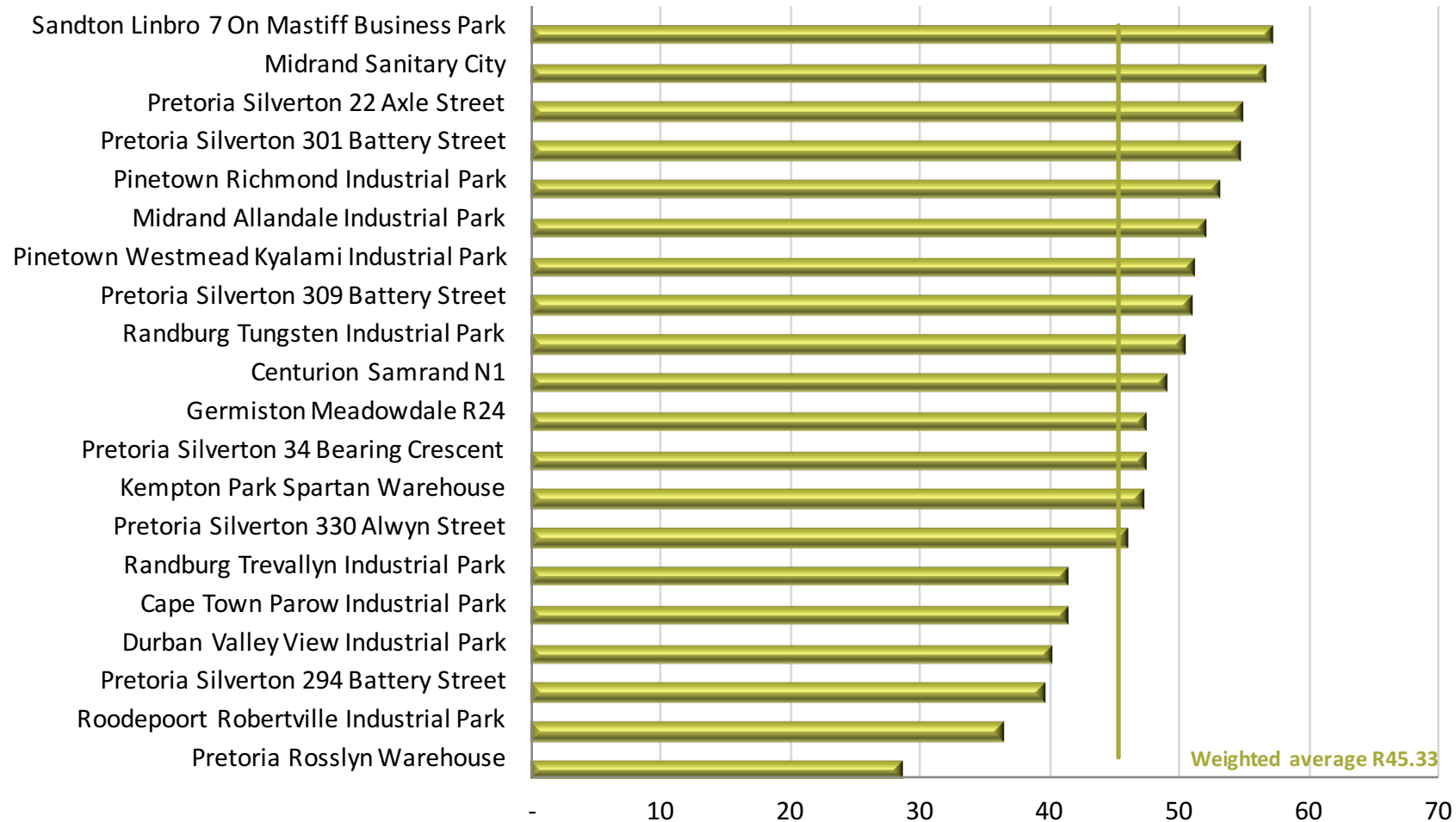
WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Office portfolio



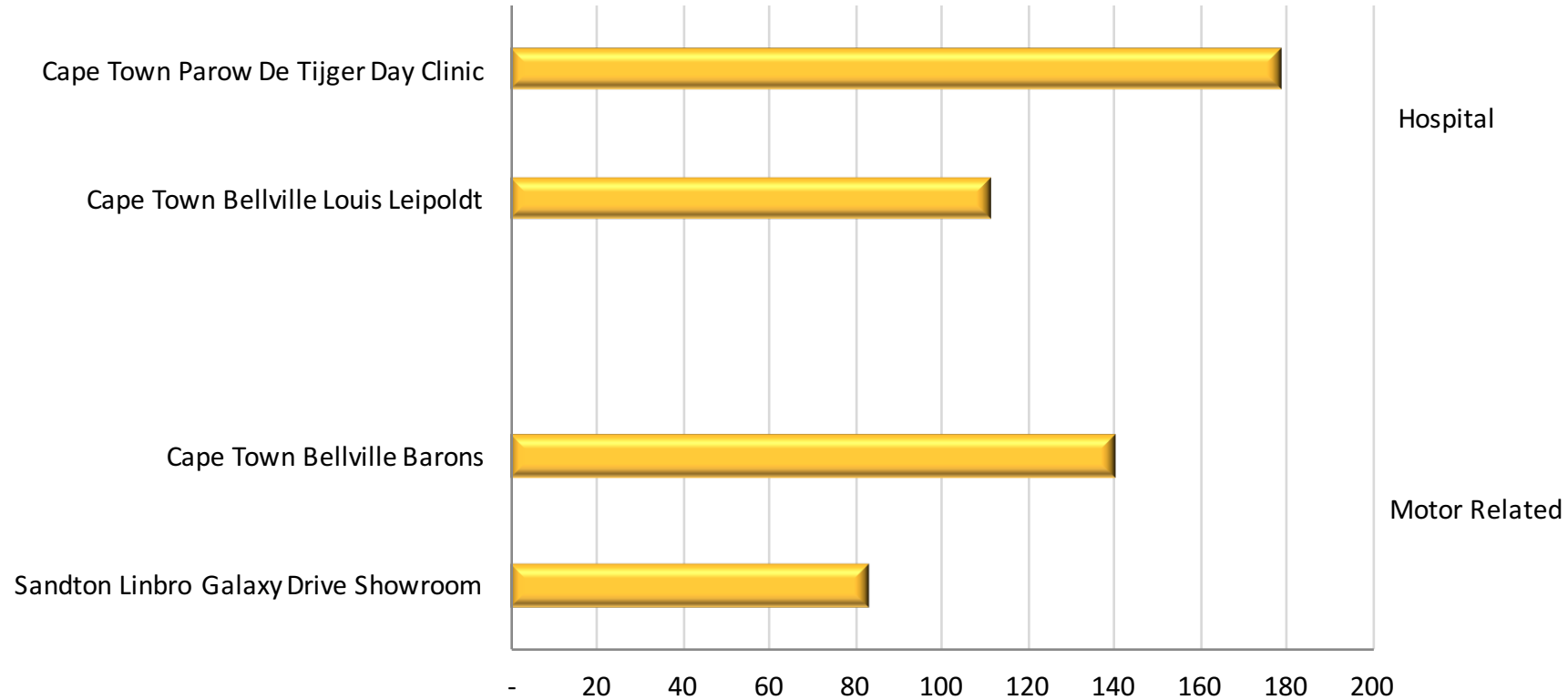
WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Industrial portfolio



WEIGHTED AVERAGE BASE RENTALS R/m² (excluding recoveries)

Other





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