MEDIA RELEASE FROM DIPULA INCOME FUND

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# *Dipula outperforms guidance to deliver full-year distributable income growth of 16%*

Dipula Income Fund today reported its full-year results which reflect a 16% year-on-year growth in distributable earnings to 31 August 2014. Dipula's combined growth in distribution per unit of 7.2% exceeds market expectation and comprises distribution growth of 5.0% Dipula A linked units and 10.0% for Dipula B linked units.

Izak Petersen, CEO of Dipula Income Fund, attributes the strong performance to Dipula's strategic growth with portfolio enhancing assets, vigorous leasing, incisive property management, unlocking value from its properties with refurbishment and astute debt management.

Petersen comments: "These results are further testimony to our good track record in delivering on our strategy. In the three years since Dipula's listing in 2011, we've doubled our market capitalisation to R2.8 billion at year end, increased our portfolio with good quality assets by an impressive 158% to R5.4 billion, while our average value per property within our portfolio surged by 60% to R30 million. Our legacy portfolio now only comprises 31% of our total assets.

Dipula's strong performance is set to continue in the coming year.

"We remain bullish in spite of South Africa entering a period that is anticipated to deliver low economic growth combined with possible interest rate hikes. In addition, electricity supply constraints are likely to have an impact on the sector as a whole," notes Petersen.

He adds: "We believe that current conditions favour patient and accomplished investors, with the ability to execute transactions. Dipula expects to make acquisitions of R1 billion to R1.5 billion in the coming 12 to 18 months. Our focus is always on properties that can deliver income in a sustainable manner."

Furthermore, Dipula will continue to dispose of non-core properties and extract value out of its existing portfolio through well yielding demand-driven refurbishments and extensions. Tenant retention and leasing will remain a core income driver.

Petersen comments: "We expect to achieve distribution growth of between 7% and 8% for the 2015 financial year."

Dipula's diversified property portfolio comprises 181 retail, industrial and office properties countrywide. By gross lettable area (GLA), Dipula's portfolio is 71% concentrated in South Africa's economic hub of Gauteng. It is also weighted towards retail property which comprises 55% of its portfolio.

From 1 September 2013 to date, Dipula concluded acquisitions to the value of R987 million with an average asset value of R76 million each. Acquisitions valued at R328 million were transferred to Dipula during the year. A further R532 million are expected to transfer by the end of the 2014 calendar year, boosting rental income streams.

Dipula disposed of 17 non-core and substantially vacant assets for a combined R103 million. It completed three major strategic revamps during the year with a R42 million investment at a combined 11% yield.

"Unlocking further value from our portfolio will remain a priority in the coming year, with R34 million worth of revamps planned at a 12% yield," reports Petersen.

"We intensified our focus on active leasing during the year and this delivered excellent results," points out Petersen. Dipula reduced its portfolio vacancies by 23% from 12% at its half-year to 9% at 31 August 2014, with a noteworthy improvement in its industrial and retail portfolio's occupancy levels, even though the office sector remains weak. It concluded R134 million worth of lease renewals at an average increase in renewal rate of 10% and signed new leases valued at R174 million during the year.

Dipula's portfolio exhibits strong defensiveness with quality covenants from 88% A and B grade tenants and low to market related average gross rentals. Dipula achieved a 74% tenant retention rate in 2014 and its average portfolio rental escalations are at an above inflation 8.1%.

Notwithstanding a tough operating environment, with increasing administered costs, Dipula maintained its cost-to-income ratio at 20%.

As part of its drive to strengthen property management, Dipula successfully implemented the MDA property management system across all its portfolios during the year. Existing property management contracts are coming up for review in the next 12 months and Dipula will be using this opportunity to further its drive for improvements in this area.

Dipula closed the period with conservative gearing of 37.2%. 76% of its debt is now fixed at an all-in blended rate of borrowing of 8.67% for an average of 3.3 years. In an effort to diversify its sources of funding, Dipula appointed Nedbank and Standard Bank to arrange its R2 billion DMTN (Domestic Medium Term Note) programme for entry into the debt capital markets. Moving a step closer to launching this programme, Dipula achieved a BBB rating from Global Credit Ratings.

Petersen notes that Dipula is always on the lookout for and receptive to value enhancing corporate activity such as the friendly merger with Mergence Africa Property Fund and the acquisition of Asakhe which lead to the listing of Dipula. "Corporate activity as a means of growth enhancement of shareholder value should be supported. The company will always act in the best interest of unitholders when appropriate opportunities arise. In spite of recent activity in our share, Dipula is not aware of any corporate activity that will enhance or further our strategy and be in the best interest of all unitholders," says Petersen.

Dipula Income Fund is a JSE-listed REIT with exceptional B-BBEE credentials. It is managed by 100% black owned management company. Dipula originated from two majority black-owned property funds, Mergence Africa Property Fund and Dipula Property Fund. Management own a large stake in Dipula and are long-term investors in the fund. This strategic stake by management ensures long-term goal alignment with all other shareholders and leads to responsible behaviour that steers clear of decisions that are only meant to bolster short term performance.

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