MEDIA RELEASE FROM DIPULA INCOME FUND

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Dipula delivers 33% half-year growth in distributable earnings, and grows its portfolio to R5.7 billion

Dipula Income Fund today reported its half-year results reflecting a 33.2% growth in distributable earnings during the six-month interim period to 28 February 2015. Dipula's combined growth in distribution per unit of 6.8% comprises distribution growth of 5.0% per Dipula A linked unit and 9.3% per Dipula B linked unit.

In addition to delivering inflation beating distribution per linked unit growth, Dipula also achieved significant growth in assets with its portfolio now at R5.7 billion, including transactions concluded to date. Its portfolio is set to grow by a further R1 billion by the end of 2015 as it executes its pending pipeline of acquisitions and developments. Revenue accelerated by 24.6% relative to 28 February 2014.

Izak Petersen, CEO of Dipula Income Fund, attributes its solid performance to Dipula's strategic growth with portfolio enhancing assets and continued management interventions which improved its leasing performance.

Petersen comments: "We are pleased with our good results in a challenging market. Dipula has developed a track record of consistently growing distributions. We've also continued our growth story and delivered on our strategy. At the heart of our strategy is to continue building a defensive portfolio that will carry us through tough times, balancing income growth and asset quality."

Dipula's gearing was 35.5% at its half-year, with 72% of its debt fixed for an average length of three years, and at an average blended rate of 8.6%.

During the half-year Dipula concluded R742 million worth of strategic acquisitions. It also took transfer of R534 million of properties during the same period.

Dipula has a diversified portfolio of 176 properties located throughout South Africa, predominantly in Gauteng where 72% of its portfolio by lettable area is located. It has grown its retail exposure to nearly 60% of the portfolio's gross lettable area. It has also more than doubled the average value of its properties since listing, to R27 million per property.

Among the acquisitions Dipula concluded are the 15,735m^2 Umzimkhulu Mall in KwaZulu-Natal with 88% national tenants, the quality modern 28,125m^2 Corporate Park Industrial in Polokwane , the 6,940m^2 Wadeville Industrial and the well located 1,157m^2 Hyde Close office building in Hyde Park. All are expected to transfer before the end of June 2015.

"These properties all fit the criteria of good quality, defensive assets with excellent tenants that are unlikely to default in tough trading conditions" says Petersen.

Dipula's management interventions have delivered excellent leasing progress with current vacancies decreasing to 7.3% from 9.6% as at the end of the half year period.

Subsequent to Dipula's half-year, it achieved a remarkable decrease in office vacancies from 19% to 11%. Its industrial vacancies improved to 2%, better than the industry norm. Retail vacancies were reduced to 8% after 75% of the space vacated by Ellerines was successfully re-let. Petersen comments: "We expect a further reduction in the retail vacancy in months to come."

Dipula also achieved positive rental reversions across all sectors, above-inflation rental escalations of 7.9% and, even with Ellerines vacating premises, a 68% tenant retention rate was achieved. The retention rate has substantially improved in its office and industrial portfolios, at 76% and 91% respectively.

Notwithstanding a tough operating environment, with increasing administered costs, Dipula's cost-to-income ratio only increased slightly to 21.4%, mainly due to Ellerines related vacancies.

Dipula's positive leasing numbers were driven by strong asset management direction and the improved quality of Dipula's portfolio.

In an innovative move, Dipula is converting its Crownwood Property, in Ormonde, Gauteng, from 7,200m^2 of a prolonged office vacancy to 11,000m^2 of modern warehousing. This R50 million project is 60% pre-let and will include environmentally innovative features such as the installation of solar technology. Scheduled for completion in November this year, this development is currently running ahead of its planned timetable.

Post the half year period, Dipula internalised a substantial portion of its property management, and expects to realise future cost savings and efficiencies as well as improved property management. "The new team is highly motivated and energised and we welcome them to the Dipula family," says Petersen.

Petersen adds, "Dipula will continue to focus on delivering our pipeline of acquisitions, completing the conversion of our capital structure, bedding down our new property management structure, simplifying our group structure and continue to prioritise our leasing and tenant focus. All this will support sustained value creation for our investors."

He reports: "Notwithstanding South Africa's slow economic growth, Dipula is on track to deliver forecast distribution growth of between 6.5% and 7.5% for the 2015 financial year."

Furthermore, Dipula has commenced an assessment of investing in other asset classes in the property space and will report on this in due course.

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.

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