



MEDIA RELEASE FROM EMIRA PROPERTY FUND

28 July 2016

Emira rejects Arrowhead's expression of interest

The Board of Directors of Emira Property Fund has rejected Arrowhead's unsolicited, non-binding, and highly conditional expression of interest to acquire all of Emira's issued share capital on the basis that it has no benefit to Emira's shareholders.

"The Board has considered Arrowhead's conditional expression of interest and we believe it's clearly not in the best interests of Emira shareholders," says Ben van der Ross, Chairman of Emira. "There are many reasons for this. The proposal is highly opportunistic. The very low share swap ratio proposed represents a discount to Emira's current price and Emira has also traded at a premium to the ratio for the vast majority of the last 12 months. Fundamentally, the ratio is also at a substantial discount to Emira's net asset value."

Geoff Jennett, Chief Executive Officer of Emira commented "not only is the proposal opportunistic but it would also leave Emira shareholders receiving shares in Arrowhead, an entity with a quality of portfolio that Emira itself would not invest into. We believe there would be limited, if any, synergies between the two companies, their assets or their strategies. We are very different businesses, focussing on different sectors of the property market."

As a company, Emira was established in 2003 and offers investors a straight-forward REIT structure. Over more than a dozen years, it has established a track record of good governance, shareholder engagement and transparency. Emira has a diversified portfolio of South African commercial real estate, and a long-term offshore investment in Growthpoint Properties Australia (GOZ), with a total asset value of R14 billion, and benefits from greater diversification in funding sources, thanks to its DMTN programme. In addition, Emira has a much larger average rand value per property, a meaningfully higher quality portfolio and a significantly greater total asset value. Supporting this, Emira has a strong, experienced team of asset managers with the proven ability to create value from its asset base.

In contrast, Arrowhead listed in 2012 and has a complex structure with several piecemeal minority stakes in local counters, limiting its diversification. In its own portfolio, Arrowhead has a meaningful exposure to smaller lower-grade office buildings. We understand Arrowhead intends moving a large portion of these smaller assets into a separately listed vehicle with further non-core office assets of



other funds. However, Arrowhead's investors would still be exposed to the economics of the lower quality office building sector through a significant interest in the new entity.

Emira has been strengthening its portfolio composition over the past few years by reducing its exposure to lower-grade offices and it continues to rebalance its portfolio to ease its office exposure. A transaction with Arrowhead would be completely counter to this strategy, and Emira believes that increased exposure to the office market is inappropriate at this time given the forecasted continuing weakness in the office market. Indeed, Emira will augment its existing strategy with additional initiatives planned to further rebalance the sectoral exposures into the other more defensive sectors.

"Emira has built its portfolio, structures and strategy to provide the best value for its shareholders in a sustainable, long-term investment," says Jennett. "With this in mind, we have rejected Arrowhead's expression of interest on the basis that it does not benefit Emira's shareholders."

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