

Media release from Synergy Income Fund

20 February 2014

Synergy delivers another strong performance

Synergy Income Fund today announced half year distribution growth of 5% for its A linked unitholders and 11.3% for its B linked unitholders for the six-month interim period to 31 December 2013.

William Brooks, CEO of Synergy, attributes Synergy's outperformance of the listed property sector to its low portfolio vacancies, strong rental reversions, improved portfolio quality and its high ratio of national retail tenants.

"Synergy's robust financial performance, supported by its strong operational performance, contributed positively to results and continues Synergy's consistent track record of delivering above sector results for investors," says Brooks.

Brooks confirms this positive performance is set to continue. "Synergy A linked units are on track to achieve their full year distributions and Synergy B linked units are on course to deliver distribution growth between 12% and 16%, should the current economic environment remain stable," says Brooks.

JSE-listed Synergy is a specialised retail property fund with a specific focus on medium-sized community and small regional shopping centres in high-growth nodes. It owns 15 shopping centres in seven provinces, spanning some 200,000sqm. Its portfolio is dominated by commuter-orientated centres in township areas and rural towns.

When announcing its half-year results, Synergy referred its linked unitholders to the announcement published on the JSE SENS on 29 January 2014 which disclosed that discussions have commenced in respect of a potential transaction between Vukile Property Fund and Synergy linked unitholders. Accordingly, Synergy linked unitholders are advised to continue to exercise caution when dealing in their linked units until a further announcement is made.

During its interim period, Synergy's retail vacancies improved slightly to 3.2%, while its ratio of national tenants increased from 86% to 88%, in line with its target of 85% or higher. Its rental reversions trended upwards by 6.2% and Synergy achieved a tenant retention ratio of 76%, largely as a result of optimising its tenant mix across the portfolio.

Strategically growing its portfolio, ownership of Atlantis City Shopping Centre passed to Synergy with effect from 1 September 2013. This centre contributed to Synergy's income for four months of the interim trading period. This acquisition, and some minor capital expenditure on the rest of the portfolio, led to an increase in Synergy's property portfolio value from R1.88 billion at 30 June 2013 to R2.23 billion at 31 December 2013.

Brooks also confirmed that Synergy is in the planning phases of several portfolio enhancing projects. These include the possible extension at Ermelo Game Shopping Centre in Mpumalanga for a second retail anchor, a minor cosmetic upgrade of Richdens Village Shopping Centre in Hillcrest, KwaZulu-

Natal, and the refurbishment of Ruimsig Shopping Centre in Roodepoort, Gauteng, which will begin in March 2014.

“Synergy will continue to strive for best practice in growing, optimising and operating our portfolio to produce sustainable, inflation-beating total returns for investors,” says Brooks.

Synergy’s loan-to-value ratio at the end of December 2013 was 40.8%, with interest rates hedged on 51% of its total borrowings at a weighted average rate of 9.11%. Synergy’s total weighted average cost of borrowings at 31 December 2013 was 8.27%. Following the announcement on 29 January 2014 of a 50bps increase in interest rates, Synergy’s total weighted average cost of borrowings increased to 8.51%.

~ ends ~

For further information : William Brooks
Chief Executive Officer
Synergy Income Fund
021 673 3300
wbrooks@synergyincomefund.com
www.synergyincomefund.com

By : Jaclyn Lovell
Marketing Concepts
011 783 0700