



MEDIA RELEASE FROM VUKILE PROPERTY FUND

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Repositioned Vukile delivers on its retail promise and eyes international expansion

Vukile Property Fund today reported 7% growth in dividends per share for its half-year to 30 September 2016 with results that continue to deliver on its market guidance and maintains Vukile's sterling track record of unbroken growth in dividends since listing.

The solid set of half-year results reflect Vukile's strategic retail property focus, strong operational performance and conservative balance sheet revealing its solid platform for accretive deals, including international expansion.

Laurence Rapp, CEO of Vukile Property Fund, notes the company's excellent progress during the period in shaping a great portfolio chiefly comprised of low-risk, high-quality retail assets underpinned by strong national tenant leases.

Rapp comments: "We are pleased to deliver another positive set of results that further our strategic goals. Despite the continued challenges in the South African market and the volatile economic and political environment, Vukile is well positioned for stability and solid performance, and is on track to deliver full-year results in line with our half-year performance."

Now that the proposed Vukile, Synergy Income Fund and Arrowhead Properties deal has been approved by shareholders and is only awaiting approval from the Competition Authorities, Vukile is set to emerge as an entirely repositioned retail property investment with around 90% of its local asset base consisting of retail shopping centres.

Also, to enhance its sharp retail focus, Vukile sold its sovereign portfolio during the period for R1,2 billion. The funds from this sale have been used to reduce Vukile's debt, lowering its gearing ratio to 23.9%.

"Locally, everything is in place to achieve our objective of transforming Vukile into a retail fund which is the preferred asset class with lowest risk through the cycle. With the advent of the 'new' Vukile, we now have a great platform for international expansion in line with our stated strategy," says Rapp.

Vukile has a war chest of over R1,5 billion in readily available resources, giving it significant firepower to pursue its international expansion, without having to tap markets for fresh equity.



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Vukile launched its international investment strategy with its 26% stake in Atlantic Leaf Properties, which has recently moved its listing to the main board of the JSE. With this transaction, it has secured a foothold in the UK from which it could grow.

Rapp notes that, having taken the initial foray into international markets with Atlantic Leaf, Vukile has gained a richer understanding of European markets.

He says: “Atlantic Leaf provides the perfect launch pad to deepen our international exposure while building our high-quality, low-risk portfolio. Vukile’s strategy favours developed markets and we are exploring good buying opportunities internationally. Notwithstanding the uncertainty around Brexit, there are opportunities in the market, made even more attractive by the weakening of the British Pound.”

He adds: “We look forward to greater involvement with Atlantic Leaf, and other likeminded partners, for further offshore investment that leverage our existing core competencies, including a strong entrepreneurial flair, disciplined financial management and active asset management that allows us to extract value from real estate.”

Locally, Vukile remains firmly focused on retail, achieving excellent operational metrics in its retail property portfolio during its half-year. Vukile contained its retail vacancies at 3.9% of gross lettable area, achieved positive rental reversion of 6.4%, and signed its new deals at 3.2% above budgeted levels.

In addition, it continued to invest in existing and new retail assets such as its recent upgrade and expansion of East Rand Mall, Durban Workshop and Dobsonville Mall in Soweto. Vukile is also invested in two new regional mall developments with leading retail developers Flanagan and Gerard. Springs Mall is due to open in March 2017 while Thavhani Mall will open its doors in August 2017.

“Vukile is focused on achieving strategic long-term goals and will continue to build a superior low-risk portfolio with a high-quality earnings stream to generate sustainable long-term returns for our shareholders,” notes Rapp.

JSE-listed Vukile is a leading internally managed REIT (Real Estate Investment Trust) with a property asset base of R16 billion. Vukile owns a direct retail-focused portfolio in South Africa and an indirect portfolio of REITs. Its REIT investments include the local retail-focused Fairvest Property Holdings and the UK-focused Atlantic Leaf Properties.

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