MEDIA RELEASE FROM VUKILE PROPERTY FUND

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Vukile delivers 7.8% half-year distribution growth for investors

Vukile Property Fund today reported 7.8% growth in normalised distributions per linked unit for its six-month interim period to 30 September 2014, comfortably delivering on its market guidance and continuing its record of unbroken growth in distributions and positive performance for investors.

Laurence Rapp, CEO of Vukile Property Fund, attributes this solid result to delivering a very strong property operational performance during the period.

JSE-listed REIT (Real Estate Investment Trust) Vukile closed its half year with a robust balance sheet, improved property portfolio fundamentals and appealing growth prospects with an attractive R1 billion strategic acquisition pipeline at a blended yield of 8.9%.

Vukile's property portfolio vacancies improved considerably, decreasing from 6.5% to 5.4% across its portfolio. It notched up positive rental reversions across all sectors, with particularly strong retail growth at 9.4%. Vukile also extended its lease expiry profile, with 30% of its leases now expiring in 2019 and beyond. Core net property income grew 7.9% on a like-for-like basis. Vukile closed the period with a diversified portfolio of 79 properties valued at R10.6 billion. Retail properties comprise 54% of its overall assets. Vukile reduced its gearing ratio to a defensive 23.6%, with 89.4% of its debt fixed and good access to funding from multiple sources.

Rapp comments: "Vukile is in a strong, defensive position to protect and maximise value for our investors despite the deteriorating macroeconomic environment in South Africa. Vukile is on track to deliver full year growth in distributions of between 7.5% and 8.0% per linked unit for its investors, and it will continue to grow with selective value-enhancing acquisitions in the retail and industrial property sector."

Vukile achieved strong deal flows during its half year, boosting its portfolio with the R194,2 million acquisition of Letlhabile Mall, North West, at a 9% yield, which began trading on 1 April 2014. In Limpopo it took transfer of 30% each of Modjadji Plaza in February 2014 and Maake Plaza in July 2014, which it acquired for a combined R61,5 million at an initial blended yield of 12%. Vukile also embarked on the upgrade and extension of East Rand Mall in Gauteng, in which it has a 50% stake with co-owners Redefine Properties, and will invest R168 million as its portion of the R336 million project. Vukile's R124 million investment in an industrial mini-unit complex in Linbro

Park, in Gauteng, was completed on 1 October 2014, underpinned by a one-year income guarantee.

Vukile also secured an impressive acquisition pipeline of around R1 billion of portfolio enhancing properties. This includes a R320 million investment to acquire an 80% stake in the 31,653sqm regional Moruleng Mall in North West at an 8.68% initial yield; a R140 million investment in the 15,000sqm Batho Plaza in Soshonguve, Gauteng, at an initial yield of 9.52%; an investment in the 27,700sqm regional Nonesi Mall in Queenstown, Eastern Cape, at a 8.25% yield for an anticipated price of about R360 million. Vukile has also concluded an offer for the R127 million purchase of an industrial warehousing portfolio in the Silverton Industrial area at an initial yield of 9.25%. Formal agreements have been concluded on all the deals, which are subject to the fulfilment of certain conditions.

Furthermore, it has also agreed to sell Sanlam's asset management business back to Sanlam in an earnings-neutral deal that will leave Vukile with a much simpler and predictable income stream in future.

Rapp confirms that Vukile will also pursue its offer to acquire all the remaining shares in Synergy Income Fund that it does not already own.

In December 2013, Vukile acquired around 34% of Synergy B linked units, but after failing to agree on pricing with Synergy's board in September 2014 withdrew from discussions to pursue an alternate route to control and ultimate consolidation of Synergy. In November, Vukile triggered a mandatory offer by acquiring further Synergy B linked units and now owns some 40% of the fund. It confirmed it will offer to acquire the remaining Synergy B linked units at a swap ratio of one Vukile linked unit for every 2.67 Synergy B linked units, and extend a comparable offer to Synergy A linked unitholders at a swap ratio of one Vukile linked unit for every 1.65 Synergy A linked units.

As a result of its structure and market dynamics, Rapp believes that Synergy is effectively positioned as a closed-end fund with limited growth prospects, so the transaction offers far-reaching benefits for both parties.

For Vukile unitholders, the transaction provides further growth with retail assets that are an excellent strategic fit with Vukile's existing retail portfolio and at a price that is earnings enhancing. For Synergy unitholders, the transaction provides significant value protection and growth prospects through access to a larger, highly competitive and much more liquid investment with a vastly stronger balance sheet that still provides a focus on lower income retail assets. It also represents an immediate capital price uplift for Synergy investors.

"Vukile has created a strong defensive base from which we can deliver sustainable positive performance for our investors, even in tough times," says Rapp. "Our immediately focus will be to continue to deliver on our strategic objectives and to close our healthy R1 billion deal pipeline, while identifying new opportunities for suitable and value enhancing growth."

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