VUKILE PROPERTY FUND

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MEDIA RELEASE FROM VUKILE PROPERTY FUND

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Vukile delivers 8.1% full-year distribution growth, exceeds portfolio growth targets, and makes strong strategic gains

Vukile Property Fund today reported 8.1% growth in normalised distributions per share for its full year to 31 March 2015, delivering results just ahead of its initial market guidance of between 7% and 8%. There was positive momentum in the latter part of the year with second half distributions growing by 8.4%. This continues Vukile's 11-year unbroken track record of growth in distributions and positive performance for its investors.

Laurence Rapp, CEO of Vukile Property Fund, says the results reflect a strong year for Vukile where it delivered on its forecasts, achieved robust operational performance across all key metrics, exceeded its portfolio growth targets and delivered on its strategy.

Rapp comments: "We're pleased to report this strong set of results notwithstanding our very conservative hedging stance that supports the long-term nature of our investment philosophy. During this year we extended our hedges out by a further 12 months at a cost of R4.2 million for the year. Had we not done this, distribution growth would have been higher at 8.7%. Following our strategy of growing Vukile to at least R10 billion in assets, going overweight in the retail sector and constantly improving the quality of the portfolio, Vukile is now a high-quality, low-risk fund with a strong balance sheet and well positioned to manage through the property cycles. We are in a good position to take advantage of opportunities in the market."

During the year Vukile raised its gross property revenue by 13.6%, grew its distributable income by 11.6% and increased its net asset value per share by 14.6%.

Vukile's positive performance is set to continue. Rapp says: "We know the markets are tough and the electricity crisis is dampening business and impacting our tenants, yet Vukile is in a healthy position with a strong balance sheet and a solid, growing portfolio. We are confident that Vukile will deliver growth in distributions of between 7% and 8% per share for its investors in the coming financial year."

JSE-listed Vukile is an internally managed diversified, yet predominantly retail property REIT (Real Estate Investment Trust) that holds property assets valued at R13.3 billion. Retail centres now account for 64% of its portfolio, in line with its stated strategy to become substantially weighted in favour of retail property as it grows. With its 33.9% holding in Fairvest, its total assets are R13.6 billion.

Vukile's assets are set to further grow by around R1 billion with acquisitions secured and awaiting transfer at year end. These include Nonesi Mall in Queenstown in the Eastern Cape, Moruleng Mall in North West Province, Batho Plaza in Soshanguve in Gauteng, a portfolio of distribution warehouses in Silverton in Gauteng and a further 40% interest in Maake Plaza in Limpopo.

Also leveraging off its deal-making acumen, Vukile finalised its acquisition of Synergy Income Fund during the year. It now owns 65% of the entire Synergy issued capital and owns its management company too. Synergy is now a listed subsidiary of Vukile.

While Synergy's performance disappointed this year, Rapp confirms this was in line with Vukile's expectations and is mostly because of the once-off costs Synergy incurred in defending the Vukile take-over transaction as well as the impact of Ellerines store closures following this retailer's demise. On the positive side, 67% of the Ellerines space has already been re-let.

"We intend to breathe new life into Synergy by giving it its own strategy and positioning it as a high-growth vehicle. We are considering a range of strategic options and will communicate plans in due course" reports Rapp.

Vukile extracted strong performance from its own property portfolio with vacancies as a percentage of gross lettable area improving from 6.5% to 4.6% during the year. It achieved positive rental reversions across all sectors, with its mainstay retail portfolio attaining reversions of 10.8%. It also successfully extended its lease expiry profile considerably, with 33% of leases now expiring in 2019 and beyond.

Its ongoing focus on cost containment was successful with a total cost-to-income ratio of 34.1%, comparable with Vukile's 2010 figures. Its retail portfolio's exposure to strong lease covenants from national, listed and franchised tenants is now 81%.

In line with its strategy to add value to its existing portfolio through upgrades and redevelopments, Vukile is investing R406 million on certain of its property assets, including ongoing projects at East Rand Mall in Boksburg, which it co-owns with Redefine Properties, Meadowdale Mall in Germiston, The Workshop in Durban, Sanlynn Office Park and Suncardia both in Pretoria, and extending De Tyger Office Park in Parow to develop premises for The Cure Day Clinic.

Vukile remained conservatively geared at a defensive 26% with 88% of its debt fixed, and enjoys good access to diverse funding sources. Post its year-end, Vukile concluded two significantly oversubscribed capital raises. In April, it raised R1.1 billion of equity amid strong demand for Vukile shares. Then, this month, Vukile successfully refinanced R580 million of debt in the bond market with a Domestic Medium-Term Notes (DMTN) placement, with its secured notes carrying an upgraded AA+ rating from Global Credit Ratings.

Rapp notes: "While we are circumspect about the economy, we are also actively seeking new opportunities for strategic growth. Besides our core portfolio, we also plan to develop an incubator portfolio by actively seeking opportunities in other asset classes and geographies to grow Vukile even further. Even with our expanded vision, all acquisitions will be accretive and add value to the strategy and earnings of the portfolio."

He adds: "Vukile has clearly telegraphed our strategies to the market, delivered on our promises and reported our progress. We will continue to do this and remain focused on building a superior low-risk portfolio with a high-quality earnings stream that is capable of generating sustainable long-term returns for our shareholders."

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