

# DEXUS Property Group (ASX: DXS)

ASX release

9 March 2016

## Investa Office Fund releases Notice of Meeting and Explanatory Memorandum for DEXUS Proposal

DEXUS Property Group ("DEXUS") refers to Investa Office Fund's ("IOF") announcements dated 8 and 9 March 2016 and the presentation released to the market on 9 March 2016. DEXUS is pleased to note that IOF obtained Court orders permitting IOF to dispatch the Notice of Meeting and Explanatory Memorandum ("Explanatory Materials") in relation to DEXUS's proposal to acquire 100% of the units in IOF ("Proposal"). This enables IOF to convene the meetings relating to the Proposal which will be held on Friday, 8 April 2016.

DEXUS considers this an important milestone for the Proposal and encourages IOF unitholders to read the Explanatory Materials carefully and exercise their vote by attending the meetings in person or voting by proxy. If you wish to vote by proxy, you must lodge your proxy form with IOF's registry by no later than 10.00am on Wednesday, 6 April 2016.

As stated in IOF's announcement dated 8 March 2016, IOF expects to dispatch the Explanatory Materials on 14 March 2016.

The Explanatory Materials contain information regarding why IOF unitholders may vote in favour of the Proposal, why IOF unitholders may not vote in favour of the Proposal and the risks associated with the Proposal.

**IOF's Independent Directors unanimously recommend that IOF unitholders vote in favour of the Proposal, in the absence of a superior proposal.**

The Explanatory Materials also contain an Independent Expert's Report. The Independent Expert, KPMG Financial Advisory Services (Australia) Pty Ltd, has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF unitholders in the absence of a superior proposal<sup>1</sup>.

Darren Steinberg, DEXUS CEO said: "This is an attractive transaction for DEXUS Security holders and a compelling proposition for IOF Unitholders, both financially and strategically. It brings together two complementary portfolios and provides the opportunity for IOF Unitholders to participate in the immediate benefits associated with an investment in DEXUS."

"In addition to ownership of a quality Australian property portfolio, IOF Unitholders will benefit from our established third party funds management and trading businesses."

"The merger also enables IOF to achieve an internalised management structure, benefiting from an experienced and stable team with a proven track record and established, efficient systems and processes."

Attached is a presentation containing a summary of the rationale and certain financial metrics relating to the Proposal.

---

<sup>1</sup> A copy of the Independent Expert's Report will be attached to the Explanatory Materials.

# DEXUS Property Group (ASX: DXS)

ASX release

For further information please contact:

## Investor relations

David Yates

T: +61 2 9017 1424

M: +61 418 861 047

E: david.yates@dexus.com

## Media relations

Martin Debelle

Citadel-MAGNUS

T: +61 2 8234 0102

M: +61 409 911 189

E: mdebelle@citadelmagnus.com

## About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$21.1 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.8 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 20 countries. With 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to customers and delivering superior risk-adjusted returns for its investors. [www.dexus.com](http://www.dexus.com)

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)



# DEXUS PROPERTY GROUP

Proposal for DEXUS to acquire all of the IOF Units



---

# INTRODUCTION

---

- The Independent Directors of Investa Listed Funds Management Limited (ILFML and the Independent Board Committee or IOF IBC) have unanimously recommended that IOF Unitholders vote in favour of the DEXUS Proposal, in the absence of a superior proposal
- Independent Expert, KPMG Corporate Finance, has concluded that the DEXUS Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal
- Notice of Meeting and Explanatory Memorandum dated 9 March 2016 in relation to the DEXUS Proposal has been released to ASX
- IOF Unitholder meetings to consider the DEXUS Proposal will be held at 10.00am on Friday 8 April 2016
- A summary of the key terms of the DEXUS Proposal, the reasons IOF Unitholders may vote in favour of the DEXUS Proposal or may vote against the DEXUS Proposal, the risks associated with the DEXUS Proposal and the proposed transaction timetable are set out in slides 5, 6, 7, 8 and 9 of the appended IOF presentation

IOF Unitholders should read the Explanatory Memorandum in full prior to making a decision in relation to their IOF Units or the DEXUS Proposal

The following slides contain a high level summary of the rationale and certain financial metrics relevant to DEXUS and the Merged Group, including relevant metrics in relation to DEXUS and the Merged Group's portfolio and / or operations

Refer to the Notice of Meeting and Explanatory Memorandum for further details including relevant sensitivities and assumptions contained in Section 10 of that document.



---

# RATIONALE FOR THE DEXUS PROPOSAL

---

The combination of DEXUS and IOF will provide both new and existing DEXUS security holders with enduring long term benefits<sup>1</sup>

- ✓ Investment in a higher quality, more diversified office portfolio with scope for substantial synergies
- ✓ Strong value proposition providing substantial accretion while maintaining balance sheet strength
- ✓ Internalised management platform with enhanced growth opportunities
- ✓ Leveraging experience to drive property performance

1. This assumes that the DEXUS Proposal becomes effective and is implemented. The conditions precedent to the implementation of the DEXUS Proposal are set out in slide 21 of the appended IOF presentation and include (without limitation) approval of the proposed resolutions at the IOF Unitholder meetings by the requisite majorities of IOF Unitholders and the receipt of the Second Judicial Advice.

Refer the Section 4 of the Notice of Meeting and Explanatory Memorandum for additional details. A detailed discussion of the risks and disadvantages associated with the DEXUS Proposal are summarised on slide 8 of the appended IOF presentation.

# DEXUS PROPOSAL SUPPORTED BY IOF IBC & INDEPENDENT EXPERT

The DEXUS Proposal has the unanimous support of the IOF IBC, and the Independent Expert has concluded that the DEXUS Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal

- The IOF IBC undertook a comprehensive strategic review of the options available to IOF, including (without limitation) an evaluation of the following:
  - IOF to continue with an external manager
  - Joint ownership of the Investa Office Management Platform with ICPF
  - Standalone Internalisation of IOF
  - Liquidation / wind-up of IOF
- As a result of this strategic review the IOF IBC determined the DEXUS Proposal to be in the best interest of IOF Unitholders and superior to all options considered under the strategic review, having regard to in particular:
  - **governance structure and conflicts:** the merged group will form one of Australia's pre-eminent internally-managed office property groups, and for IOF Unitholders provides the opportunity to transition to internal management, a governance structure that has been adopted by IOF's listed peer group
  - **value proposition:** the DEXUS Proposal delivers IOF Unitholders annualised FY16 FFO accretion of 17.5% per IOF Unit<sup>1</sup>, significant diversification and scale benefits, and exposure to additional revenue streams with enhanced growth opportunities within the DEXUS business
  - **management platform:** the DEXUS platform provides a highly capable management proposition for IOF Unitholders, with a strong track record of operational performance in commercial real estate

1. Based on FY16 annualised headline FFO. Headline FFO includes Trading profits (net of tax). FY16 annualised FFO accretion based on Underlying FFO is 7.9%. Underlying FFO excludes Trading Profits (net of tax).

Refer to the Chairman's Letter, and Section 4 of the Notice of Meeting and Explanatory Memorandum for additional details. See also slides 15 and 16 of the appended IOF presentation.

# INVESTMENT IN HIGHER QUALITY, MORE DIVERSIFIED OFFICE PORTFOLIO

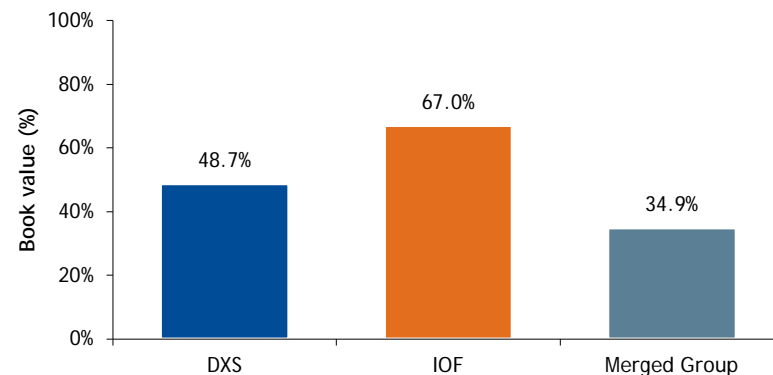
## Merged Group office portfolio metrics

|                                      | DEXUS <sup>1</sup> | IOF <sup>1</sup>   | Merged Group <sup>1</sup> |
|--------------------------------------|--------------------|--------------------|---------------------------|
| Book value (\$bn)                    | 8.8                | 3.5                | 12.3                      |
| WALE <sup>2</sup>                    | 4.4 years          | 5.0 years          | 4.5 years                 |
| Occupancy <sup>2</sup>               | 94.1%              | 94.3%              | 94.1%                     |
| Weighted Average Capitalisation Rate | 6.30%              | 6.33% <sup>3</sup> | 6.31% <sup>3</sup>        |
| % of portfolio Prime grade           | 91%                | 79%                | 88%                       |
| % of portfolio B grade               | 5%                 | 19%                | 9%                        |
| % of portfolio in NSW & VIC          | 74%                | 79%                | 75%                       |

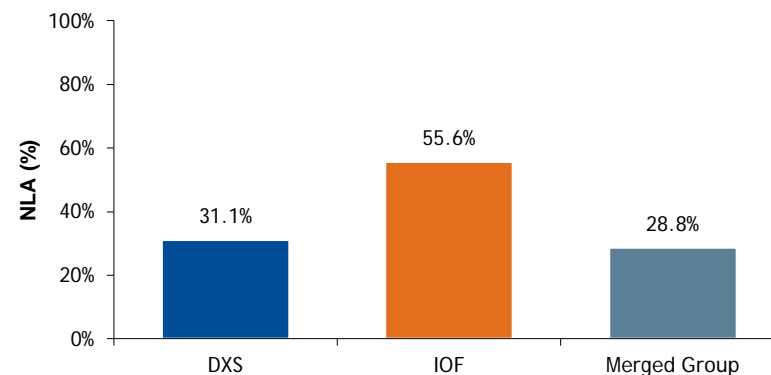
1. DEXUS balance sheet office portfolio only as at 31 December 2015. IOF book value as at 31 December 2015 including 383 La Trobe Street, Melbourne which has been sold by IOF and is subject to a deferred settlement period of between 12-18 months from the date of exchange.
2. By income. DEXUS and IOF statistics are as at 31 December 2015.
3. Excluding 383 La Trobe Street, Melbourne (asset contracted for sale) and 151 Clarence Street, Sydney (property under development).
4. NLA is by ownership share.

## Merged Group office portfolio diversity

### Exposure to top 10 office properties



### Exposure to top 10 tenants<sup>4</sup>



Refer Sections 4 & 9 of the Notice of Meeting and Explanatory Memorandum for additional details.

# SYNERGY BENEFITS FOR SECURITYHOLDERS IN THE MERGED GROUP

## Asset Management Benefits

- Increased size of the Merged Group's office portfolio will enhance DEXUS's capability to manage customer demands, vacancy and leasing
  - Highly experienced internalised office asset management team
  - Market-low leasing incentives of 17.2% achieved during HY16 and 15.0% during FY15
  - Development capability to unlock development and re-positioning potential

## Cost synergies

- The Merged Group will benefit from substantial up-front and ongoing cost savings
  - \$11m of short-term identified net cost savings reducing the DEXUS's Management Expense Ratio ("MER") to sub 35 basis points, or a market leading sub 20 basis points when calculated on total AUM<sup>1</sup>
- Procurement benefits to reduce controllable outgoings and increase total returns

## Improved liquidity and access to capital

- The Merged Group's increased market weighting is expected to result in increased daily trading volume and improved equity and debt pricing in comparison to IOF on a standalone basis
  - Merged Group will be one of the top 35 companies in the ASX 200 Index and the 6<sup>th</sup> largest A-REIT in the ASX 200 A-REIT Index
  - The Merged Group is expected to have a strong investment grade credit rating. With both this and increased scale, the Merged Group will offer greater relevance to debt investors and increased access to debt capital markets

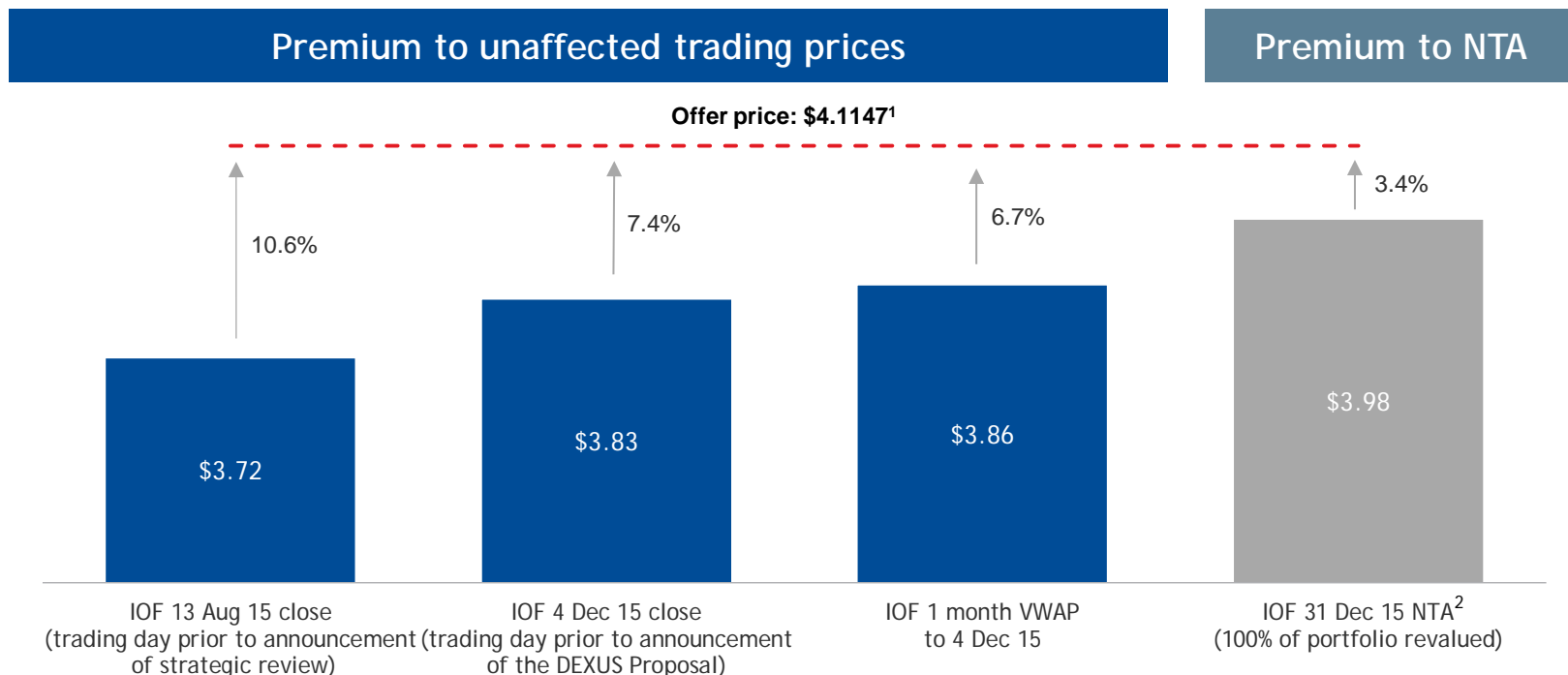
1. Represents annualised HY16 Corporate & Asset Management expenses divided by total DEXUS Assets Under Management as at 31 December 2015.

Refer Sections 4 & 9 of the Notice of Meeting and Explanatory Memorandum for additional details.



# STRONG VALUE PROPOSITION FOR IOF UNITHOLDERS

- The DEXUS Proposal provides IOF Unitholders with a premium to the unaffected closing price of IOF units and NTA per unit
  - 7.4% premium to IOF's closing price on 4 December 2015, being the last trading day prior to announcement of the DEXUS Proposal
  - 10.6% premium to IOF's closing price on 13 August 2015, being the last trading day prior to the announcement of the strategic review by the IOF IBC
- A 'mix and match' facility is available where IOF Unitholders have the option to elect the consideration they wish to receive subject to any scale back. See slide 5 of the appended IOF presentation for more details.



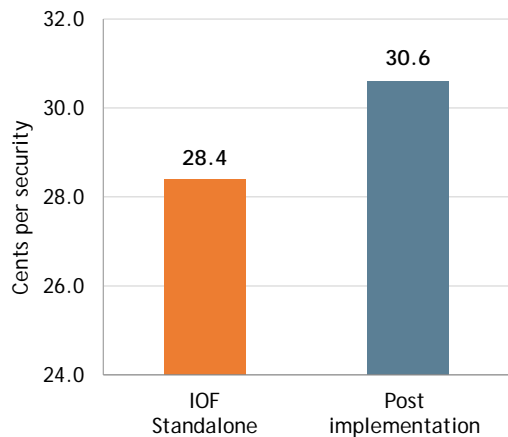
1. Based on DEXUS 10 Day VWAP for period ending 4 December 2015 of \$7.76 per security, the implied announcement value of the offer price is equal to \$4.1147. This is equal to the Maximum Cash Consideration available under the 'mix and match' facility.  
 2. IOF undertook independent revaluations of its entire portfolio as at 30 November 2015.

Refer to the Chairman's Letter of the Notice of Meeting and Explanatory Memorandum for additional details. See also slide 6 of the appended IOF presentation.

# SIGNIFICANT ACCRETION WHILE MAINTAINING STRONG BALANCE SHEET

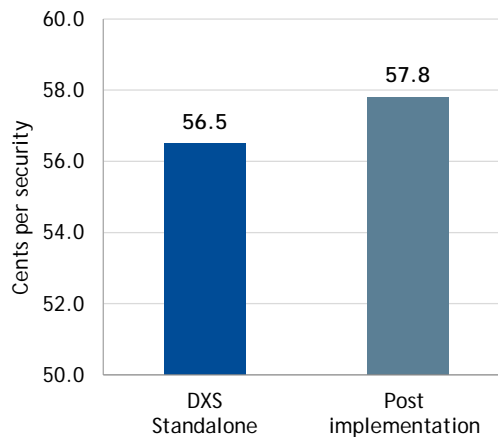
FY16 Underlying FFO per IOF Unit impact (IOF equivalent)

↑ Pro-forma  
7.9%<sup>1</sup>



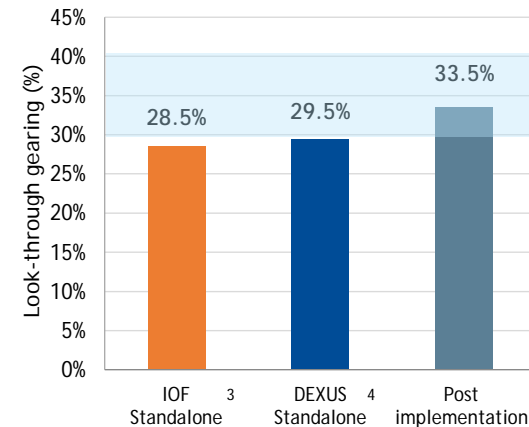
FY16 Underlying FFO per DEXUS Security impact

↑ Pro-forma  
2.2%<sup>2</sup>



Gearing remains within DEXUS's target gearing range of 30-40%

Pro-forma gearing  
33.5%

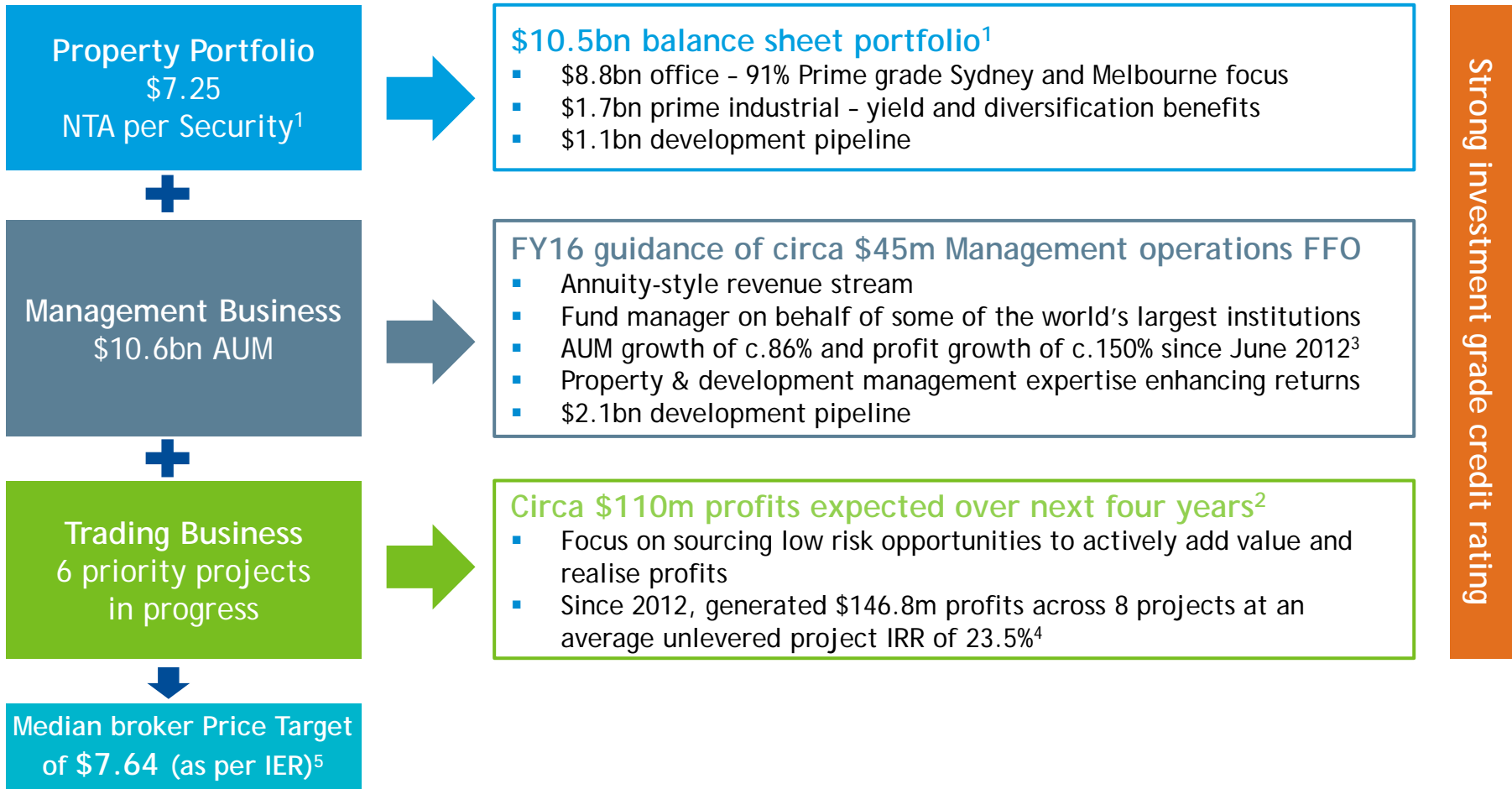


In addition to the Merged Group's NTA, IOF Unitholders will benefit from ongoing exposure to the DEXUS development pipeline, Third Party Funds Management and Trading businesses

1. The DEXUS Proposal is expected to deliver annualised headline FY16 FFO accretion of 17.5% per IOF Unit. Headline FFO includes Trading Profits (net of tax).
2. FY16 Underlying FFO per DEXUS Security impact based on DEXUS FY16 standalone guidance of 56.5 cps and Merged Group FY16 annualised FFO of 57.8 cps.
3. Refer to definition of IOF look-through gearing in Section 15 of the Notice of Meeting and Explanatory Memorandum.
4. Refer to definition of DEXUS look-through gearing in Section 15 of the Notice of Meeting and Explanatory Memorandum.

Refer Sections 4 & 10 of the Notice of Meeting and Explanatory Memorandum for additional details.

# DEXUS IS A FULLY INTEGRATED PROPERTY OWNER AND MANAGER



1. As at 31 December 2015.

2. Expected profit is stated on a pre-tax basis. Four years from 31 December 2015.

3. Profit growth based on FY12 management operations profit of \$17.9 million and forecast FY16 management operations profit of \$45 million.

4. Average unlevered internal rate of return on assets sold to date.

5. Median broker Target Price identified in Section 10.4.2 of the Independent Expert’s Report (in particular, see figure 37 and the discussion that follows).

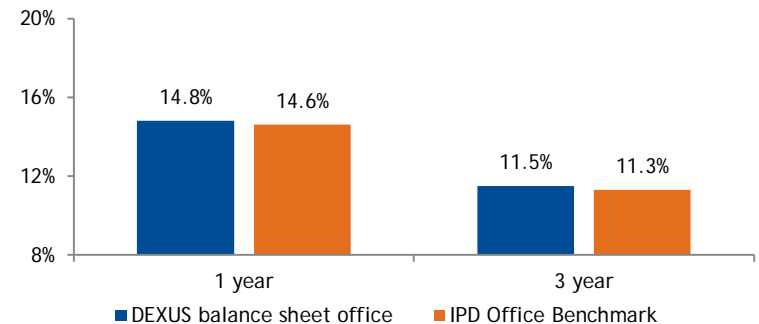
Refer Section 8 of the Notice of Meeting and Explanatory Memorandum.

# LEVERAGING EXPERIENCE TO DRIVE PROPERTY PERFORMANCE

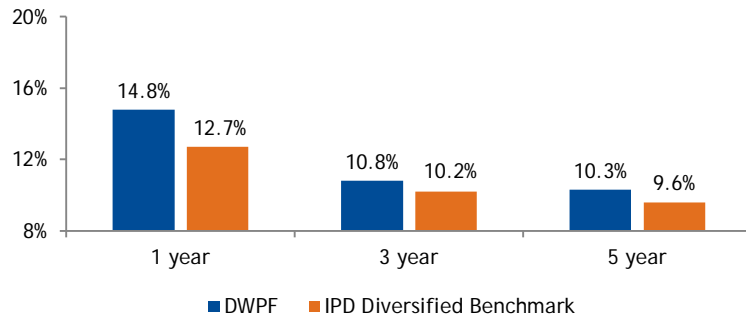
**DEXUS has an established track-record of portfolio outperformance**  
**DEXUS ability to execute and realise returns from portfolio acquisitions demonstrated by 300bps outperformance by DEXUS Office Partnership (former CPA portfolio) since inception**

- DEXUS's highly experienced team consists of more than 360 property professionals with an employee engagement score of 84%<sup>1</sup>
- The DEXUS team has a proven track record of delivering returns for investors
  - 8.6% average distribution per security growth per annum (from FY12-FY15)
  - Above benchmark total returns at the asset level

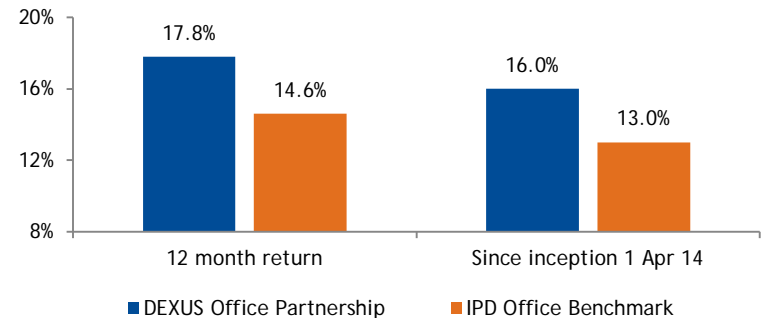
## DEXUS Office portfolio outperformance<sup>3</sup>



## DEXUS Wholesale Property Fund outperformance<sup>2</sup>



## DEXUS Office Partnership outperformance<sup>3</sup>



1. Towers Watson Employee opinion survey 2015.

2. Mercer IPD Post Fee Net Asset Weighted Index (Net Return, Net Asset Weighted).

3. Based on performance to 31 December 2015. IPD office benchmark total return to 31 December 2015 published by IPD on 25 February 2016 and calculated as sum of capital growth and net income in a single period expressed as a percentage of capital employed, with income reinvested.

Refer Section 8 of the Notice of Meeting and Explanatory Memorandum for additional details.

---

## KEY POINTS

---

- The IBC of IOF has unanimously recommended the DEXUS Proposal and the Independent Expert has determined the DEXUS Proposal is fair and reasonable to, and in the best interests of IOF Unitholders in the absence of a superior proposal
- Compelling proposition for both IOF and DEXUS Security holders, both financially and strategically
- Enables IOF Unitholders to participate in the immediate benefits associated with an investment in DEXUS, including established Third Party Funds Management and Trading Businesses
- Allows IOF to internalise management with an experienced and stable team with a proven track record of outperformance

Implementation of the DEXUS Proposal is subject to certain conditions precedent as set out in slide 21 of the appended IOF presentation. A summary of the key terms of the DEXUS Proposal, the reasons IOF Unitholders may vote in favour of the DEXUS Proposal or may vote against the DEXUS Proposal, the risks associated with the DEXUS Proposal and the proposed transaction timetable are set out in slides 5, 6, 7, 8 and 9 of the appended IOF presentation. See also sections 9, 10 and 11 of the Notice of Meeting and Explanatory Memorandum. IOF Unitholders should read the Explanatory Memorandum in full prior to making a decision in relation to their IOF Units or the DEXUS Proposal.





---

## SUMMARY

---

- Notice of Meeting and Explanatory Memorandum dated 9 March 2016 in relation to the DEXUS Proposal has been released to ASX
- The Independent Directors of ILFML unanimously recommended that IOF Unitholders vote in favour of the DEXUS Proposal, in the absence of a superior proposal
- The Independent Expert has concluded that the DEXUS Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal
- IOF Unitholder meetings to consider the DEXUS Proposal have been convened for 10.00am on Friday 8 April 2016
- Implementation of the DEXUS Proposal is subject to conditions precedent including (without limitation) approval of the proposed resolutions at the IOF Unitholder meetings by the requisite majorities. See slide 21 of the appended IOF presentation for further details

**IOF Unitholders should read the Explanatory Memorandum in full prior to making a decision in relation to their IOF Units and the DEXUS Proposal**

---

# IMPORTANT NOTICE AND DISCLAIMER

---

- This presentation is issued by DEXUS Funds Management Limited (DXFM) in its capacity as responsible entity of DEXUS Property Group (ASX:DXS) (DEXUS) comprising DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT) DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO). The appended IOF presentation was prepared by ILFML on behalf of the Investa Office Fund (IOF), which comprises the Prime Credit Property Trust and the Armstrong Jones Office Fund - see slide 2 of the appended IOF presentation for further information. Information contained in this presentation is current as of 9 March 2016 unless otherwise stated.
- This presentation contains a summary of information included in the Notice of Meeting and Explanatory Memorandum dated 9 March 2016 and in other announcements and [appends the IOF presentation] prepared by ILFML on the above basis and accordingly no reliance may be placed for any purpose whatsoever on the sufficiency or completeness of such information or of any information attached to, or cross-referred to, in those documents. IOF Unitholders are encouraged to read the Notice of Meeting and Explanatory Memorandum in its entirety prior to making a decision in relation to IOF Units or the DEXUS Proposal.
- This presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. The information and recommendations contained in this presentation do not constitute and should not be taken as financial product advice and do not and will not form any part of any contract for the acquisition of DEXUS securities. Distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register securities outside of Australia.
- Before making any investment decision you should carefully consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances.
- The repayment and performance of an investment in DEXUS is not guaranteed by DXFM, any of its related bodies corporate or any other person or organisation.
- An investment in DEXUS is subject to investment risk including possible loss of income and principal invested.
- Some of the statements appearing in this Presentation may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Presentation should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of the forward looking words such as “believe”, “aim”, “expect”, “anticipate”, “intending”, “foreseeing”, “forecast”, “future”, “likely”, “should”, “planned”, “may”, “estimate”, “potential”, “could”, “predict”, “outlook”, “guidance”, “plan”, or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of ILFML or DEXUS RE are or may be forward looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward looking statements in this Presentation reflect views held only at the date of this Presentation. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of DXFM, DEXUS and their officers, employees, agents and advisers, that may cause actual results to differ materially from those predicted or implied by any forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.
- The historical information in this presentation is, or is based upon, information that has been released to the market. For further information, please see past announcements released to the ASX including the Annual Results Release for the Financial Year ended 30 June 2015 and September 2015 quarter portfolio update released to the market on 22 October 2015 and the Results Release for the Half Year ended 31 December 2015 released to the market on 17 February 2016. Note, past performance is not a guarantee of future results.

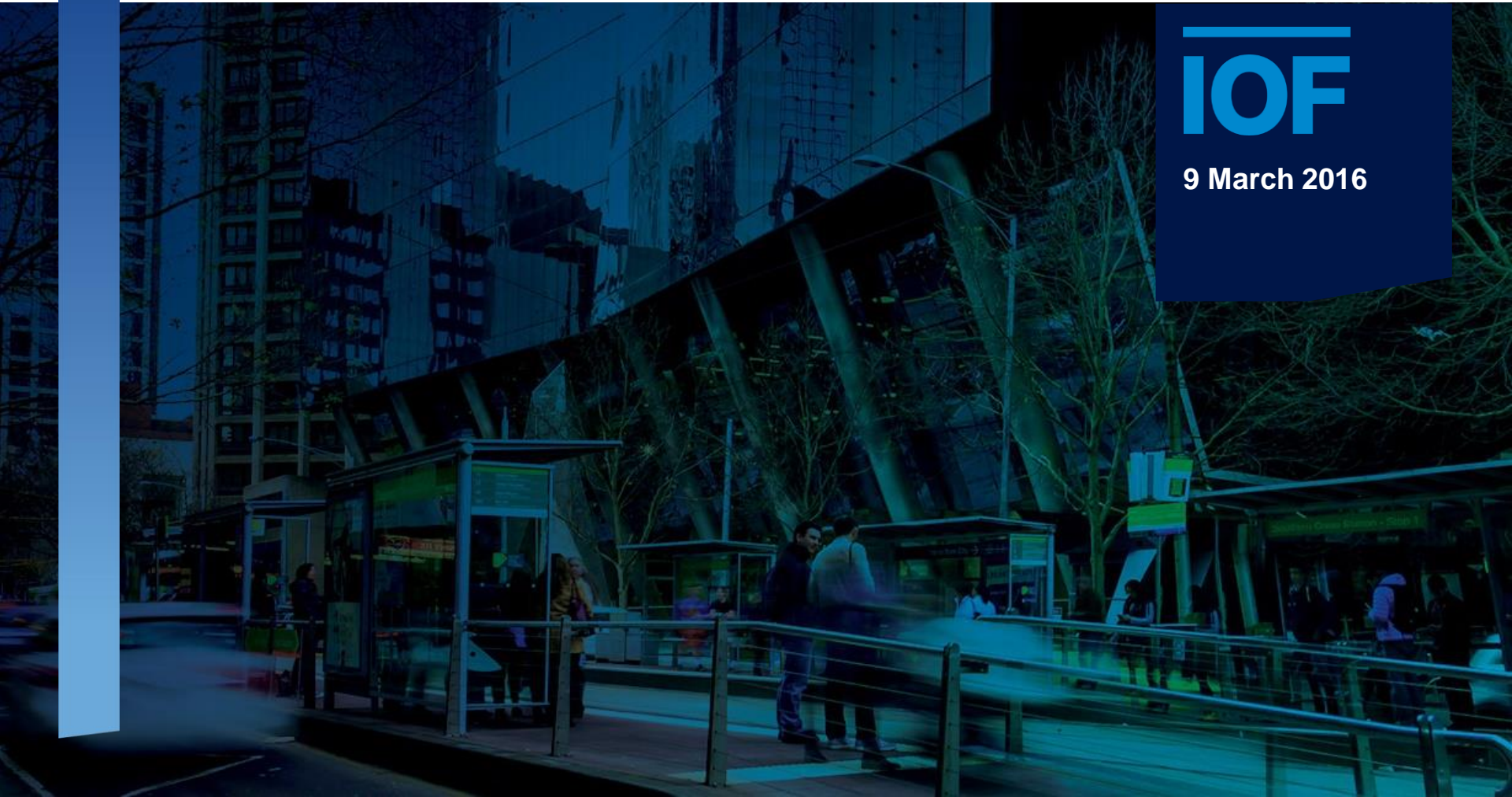
# Investa Office Fund Independent Board Committee Presentation



Proposal for DEXUS Property Group to acquire all of the IOF Units

The logo for IOF, consisting of the letters "IOF" in a bold, blue, sans-serif font. Above the letters is a horizontal blue bar.

9 March 2016



# Disclaimer

---

This presentation was prepared by Investa Listed Funds Management Limited (ACN 149 175 655 and AFSL 401414) on behalf of the Investa Office Fund, which comprises the Prime Credit Property Trust (ARSN 089 849 196) and the Armstrong Jones Office Fund (ARSN 090 242 229). Information contained in this presentation is current as at 9 March 2016 unless otherwise stated.

This document is not an invitation, offer or recommendation (express or implied) to apply for or purchase or take any other action in respect of securities and is not a prospectus, product disclosure statement or disclosure document for the purposes of the Corporations Act 2001 (Cth) and has not been lodged with ASIC.

Distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register securities outside Australia.

This document contains forward-looking statements and forecasts. These forward-looking statements and forecasts are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results or performance to differ materially from those expressed or implied by the forward-looking statements and forecasts contained in this document. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward-looking statements and forecasts may be based are reasonable. These forward-looking statements and forecasts are based on information available to us as of the date of this document. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update or revise these forward-looking statements or forecasts. To the maximum extent permitted by law, neither ILFML nor other parties associated with the Proposal (including all persons named in this presentation), are liable for any loss or damage arising as a result of reliance placed on the contents of this presentation or use of information contained in this presentation (including in relation to the accuracy or completeness of the information, statements, opinions or matters, express or implied, contained in, arising out of or derived from, or omissions from, this presentation including without limitation any financial information, estimates or projections and any other information derived therefrom) and all such liability is expressly disclaimed.

This document contains a summary of information included in the Notice of Meeting and Explanatory Memorandum (EM) dated 9 March 2016, and accordingly no reliance may be placed for any purpose whatsoever on the sufficiency or completeness of such information. You are encouraged to read the EM in its entirety and if you have any questions about the Proposal to call the IOF Unitholder Information Line on 1300 308 902 (callers within Australia) or on + 61 2 9098 9228 (callers from outside Australia) at any time from 8.30am to 5.30pm (Sydney time) Monday to Friday.

Defined terms in this document have the same meaning as in the EM.

## Introduction

---

### The Independent Board Committee has unanimously recommended that IOF Unitholders vote in favour of the DEXUS Proposal, in the absence of a Superior Proposal

- > The Independent Board Committee (IBC) determined the DEXUS Proposal to be in the best interest of IOF Unitholders and superior to all options considered under the strategic review, having regard to in particular:
  - **governance structure and conflicts:** the Merged Group will form one of Australia's pre-eminent internally-managed office property groups, and for IOF Unitholders, provides the opportunity to transition to internal management, a governance structure that has been adopted by IOF's listed peer group;
  - **value proposition:** the DEXUS Proposal delivers IOF Unitholders annualised FY16 FFO accretion of 17.5%\* per IOF Unit, significant diversification and scale benefits, and exposure to additional revenue streams with enhanced growth opportunities within the DEXUS business;
  - **management platform:** the DEXUS platform provides a highly capable management proposition for IOF Unitholders, with a strong track record of operational performance in commercial real estate;
- > Independent Expert, KPMG Corporate Finance, has concluded the DEXUS Proposal is fair and reasonable to, and in best interests of, IOF Unitholders in the absence of a superior proposal
- > Notice of Meeting and Explanatory Memorandum dated 9 March 2016 in relation to the DEXUS Proposal has been released to ASX.
- > IOF Unitholder meeting to consider the DEXUS Proposal has been convened for 10:00am Friday 8 April 2016

IOF Unitholders should read the Explanatory Memorandum in full prior to making a decision in relation to their IOF Units or the DEXUS Proposal

\* Based on the Scrip Equivalent of the Implied Offer Number



# DEXUS Proposal

01

# DEXUS Proposal

---

## The DEXUS Proposal was developed following extensive engagement and negotiation

- > On 18 December 2015, ILFML announced it had entered into a binding Implementation Agreement in relation to a proposal pursuant to which DEXUS would acquire all IOF Units
- > If the DEXUS Proposal is approved and implemented, IOF Unitholders will receive Standard Consideration of \$0.8229 in cash and 0.424 DEXUS Securities for each IOF Unit (with an alternative to elect Maximum Cash or Scrip)
  - Standard Consideration: \$0.8229 cash and 0.424 DEXUS securities per IOF Unit;
  - Maximum Cash Consideration: \$4.1147 per IOF Unit subject to any scale back to ensure the maximum cash consideration paid is approximately \$505 million;
  - Maximum Scrip Consideration 0.53 DEXUS Securities (rounded to two decimal places) per IOF Unit, subject to any scale back to ensure the maximum number of DEXUS Securities issued is approximately 260.4 million
- > DEXUS Securities issued to IOF Unitholders under the DEXUS Proposal will rank equally with all other DEXUS Securities and therefore will have full entitlement to any DEXUS distribution for the six month period ending 30 June 2016 and subsequent distribution periods
- > If the Proposal Resolutions are passed and the Conditions Precedent are satisfied and the Proposal becomes Effective and is implemented, Ineligible Overseas Unitholders will receive cash instead of DEXUS Securities through the Sale Facility

# Reasons to vote in favour of the DEXUS Proposal

## A detailed discussion of these reasons is contained in Section 4.3 of the Explanatory Memorandum

1. The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal
2. The Proposal represents attractive value for IOF Unitholders

| Proposal – Valuation metrics           |        | DEXUS 10-Day VWAP<br>(to 4 Dec15) | DEXUS 5-Day VWAP<br>(to 4 Dec 15) | DEXUS close<br>(4 Dec 2015) | DEXUS close<br>(3 Mar 2016) <sup>c</sup> |
|--|--------|-----------------------------------|-----------------------------------|-----------------------------|--|
| DEXUS Security price                   |        | \$7.76                            | \$7.79                            | \$7.65                      | \$7.85                                   |
| Implied Announcement Value             |        | \$4.11                            | \$4.13                            | \$4.07                      | \$4.15                                   |
| Premia to:                             |        |                                   |                                   |                             |  |
| IOF Close 13 August 2015 <sup>a</sup>  | \$3.72 | 10.6%                             | 10.9%                             | 9.3%                        | 11.6%                                    |
| IOF Close 4 December 2015 <sup>b</sup> | \$3.83 | 7.4%                              | 7.7%                              | 6.2%                        | 8.4%                                     |
| IOF 1-month VWAP to<br>4 December 2015 | \$3.86 | 6.7%                              | 7.0%                              | 5.4%                        | 7.6%                                     |
| IOF 31 December 2015 NTA               | \$3.98 | 3.4%                              | 3.8%                              | 2.3%                        | 4.3%                                     |

a. Being the day prior to the announcement of the IOF strategic review.

b. Being the last trading day prior to the announcement of the Proposal.

c. Being the last trading day prior to finalisation of the Explanatory Memorandum.

## Reasons to vote in favour of the DEXUS Proposal (continued)

---

### A detailed discussion of these reasons is contained in Section 4.3 of the Explanatory Memorandum

3. IOF Unitholders who receive DEXUS Securities will benefit from significant expected earnings and distribution accretion<sup>1</sup>:
  - FY16 pro forma headline FFO per unit accretion of 17.5%
  - FY16 pro forma underlying FFO per unit accretion of 7.9%
  - FY16 pro forma DPS accretion of 17.4%
4. IOF Unitholders who receive DEXUS Securities will share in significant strategic benefits:
  - combination of two complementary office portfolios
  - investment in a larger more diversified office portfolio
  - exposure to additional revenue streams, including DEXUS' development pipeline, Third Party Funds Management business and property services business and income from Trading Profits
  - enhanced governance and alignment of interests through internal management
  - enhanced cost-effectiveness with a MER of <35bps
  - greater relevance for equity and debt investors
5. Facilitates the transition to internal management for IOF Unitholders
6. No Superior Proposal has been forthcoming
7. The Proposal provides flexibility for each IOF Unitholder to determine the optimal form of consideration
8. If the Proposal does not proceed, and no Superior Proposal emerges, the price of IOF Units may fall

---

1. Based on the Scrip Equivalent of the Implied Offer Number

## Risks and disadvantages of the DEXUS Proposal

---

**A detailed discussion of these risks and disadvantages is contained in Sections 4.4 and 11 of the Explanatory Memorandum**

The risks and disadvantages associated with the Proposal include the following:

1. Change in the nature of the investment by IOF Unitholders
2. Reduction in IOF's equivalent net tangible asset value per security
3. The Merged Group is expected to have higher gearing than IOF (although initial gearing of the Merged Group is expected to be within IOF's stated range)
4. Potential variability in the implied offer price for movements in the DEXUS Security price
5. You may disagree with the Independent Directors' recommendation or the conclusion of the Independent Expert
6. Risk relating to the fact that Proposal Participants may not receive their preferred form of Proposal Consideration due to the scale-back that you will not know the outcome of your Election until after the Record Date
7. Risk of the Proposal triggering default/pre-emptive rights on jointly owned properties, which co-owners could seek to exercise
8. Risks that repayment provisions under IOF's USPP and MTN could be triggered by the Proposal or implementation of DEXUS RE's intentions post implementation of the Proposal
9. Integration risks and realisation of assumed synergies not being achieved as a result of factors such as transition to different systems and resources or loss of key personnel
10. Geographic concentration risk as the Merged Group will have a greater concentration in the Sydney market



# Key dates

---

## Proposed transaction timetable

---

|   |                                 |
|---|---------------------------------|
| Date of the Explanatory Memorandum  | Wednesday, 9 March 2016         |
| Latest time and date for receipt of Proxy Forms by the IOF Registry for the Meeting   | 10.00am Wednesday, 6 April 2016 |
| Voting Record Date  | 7.00pm Wednesday, 6 April 2016  |
| Time and date of the Meeting  | 10.00am Friday, 8 April 2016    |
| If the Proposal Resolutions are approved and all other Conditions Precedent in connection with the Proposal are satisfied or waived (if applicable), the following key dates apply: |                                 |
| Second Judicial Advice Date   | Tuesday, 12 April 2016          |
| Effective Date  | Wednesday, 13 April 2016        |
| Election Date   | 5.00pm Wednesday, 20 April 2016 |
| Record Date   | 5.00pm Thursday, 21 April 2016  |
| Implementation Date   | Friday, 29 April 2016           |
| New DEXUS Securities commence trading   | Monday, 2 May 2016 <sup>1</sup> |

---

All dates in the above timetable are indicative only and are subject to change. The parties may vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes will be announced by IOF to ASX and published on IOF's website at [www.investa.com.au/funds/investa-office-fund-iof/asx-media/](http://www.investa.com.au/funds/investa-office-fund-iof/asx-media/). All times and dates refer to Sydney time.




1. Trading will commence on a normal T+2 settlement basis.

# Strategic Review and Background to DEXUS Proposal

02

## Background – articulation of a path to internalisation for IOF

- > In March 2011, Investa Property Group (Investa) acquired the management rights to ING Office Fund
- > At that time, representations were made to IOF Unitholders suggesting there would be a “path to internalisation” through which IOF would have a future opportunity to acquire the Investa Office Management Platform (Platform) or, as an initial step towards full internalisation, an interest in the Platform
- > Certain rights provided to IOF in relation to this future opportunity are contained in the Investa Implementation Deed
- > Internalisation was seen as an important initiative to bring IOF in line with its peers and provide a number of benefits to IOF Unitholders including superior growth, greater alignment, elimination of fees, improved earnings diversification and increased return on invested capital from undertaking funds management activities

| Peer   | Management | Direct office ownership | Office asset management | Office funds management | Office development management |
|--|------------|-------------------------|-------------------------|-------------------------|-------------------------------|
| Investa Office Fund  | External   | ✓                       | X                       | X                       | X                             |
|  DEXUS<br>PROPERTY GROUP | Internal   | ✓                       | ✓                       | ✓                       | ✓                             |
|  mirvac                  | Internal   | ✓                       | ✓                       | ✓                       | ✓                             |
|  GPT<br>The GPT Group    | Internal   | ✓                       | ✓                       | ✓                       | ✓                             |

## Background – IBC establishment and initial discussions with Morgan Stanley

---

- > IBC was formed in late 2014 given the likelihood of Morgan Stanley exiting Investa
- > Discussions were held between Morgan Stanley and the IBC in February 2015 (prior to the commencement of the Morgan Stanley Sale Process) in relation to the potential acquisition of the Platform by IOF
- > Terms put forward by Morgan Stanley in relation to the acquisition of the Platform by IOF were not considered to be in the best interests of IOF Unitholders and therefore not acceptable to, or capable of acceptance by, the IBC
  - Morgan Stanley sought a right to terminate any agreement with IOF in relation to the acquisition of the Platform, and a waiver of IOF's rights under the Investa Implementation Deed
- > Both the IBC and Morgan Stanley reaffirmed interest in pursuing internalisation and agreed to re-engage once there was more certainty about the outcome of the Investa Property Trust (IPT) sale process

## Strategic Review – rationale

---

- > Following commencement of the Morgan Stanley Sale Process, Morgan Stanley informed the IBC that:
  - IOF could not acquire the Platform; and
  - the sale of the Platform was likely to be undertaken in a manner that did not trigger the pre-emptive rights in favour of IOF or require IOF Unitholder approval
- > In August 2015, the IBC commenced a strategic review to explore an extensive range of options including ongoing management and ownership of IOF
  - the IBC, in acting in the best interests for IOF Unitholders, focused on maximising value for IOF Unitholders
- > Rationale for commencing the strategic review included:
  - the “path to internalisation” for IOF Unitholders via the acquisition of the Platform upon Morgan Stanley’s exit of its investment in Investa was no longer likely; and
  - there was likely to be a change in ownership of the Platform, without any requirement for IOF Unitholder approval, which gave rise to potential uncertainty regarding the ongoing management of IOF



## Strategic Review – process

---

- > The IBC retained Macquarie Capital and Fort Street Advisers as financial advisers and Herbert Smith Freehills as legal adviser to assist in the strategic review
- > The strategic review involved a comprehensive examination of an extensive range of the potential alternatives related to the management and ownership of IOF
  - a summary of key alternatives considered is set out in the following slides
  - see Section 4.2 of the Explanatory Memorandum for further detail
- > As part of this examination, the IBC engaged extensively over a period of approximately four months with:
  - Morgan Stanley in relation to the progress of the Morgan Stanley Sale Process;
  - a large number of global and Australian real estate investors who had the capability and capacity to acquire IOF, including those parties shortlisted in the Morgan Stanley Sale Process in relation to the IPT portfolio;
  - those parties shortlisted in the Morgan Stanley Sale Process in relation to the acquisition of the Platform; and
  - ICPF
- > In order to assist in assessing the value proposition of various alternatives, the IBC commissioned the revaluation of IOF's entire portfolio as at 30 November 2015

# Strategic Review – summary of the key alternatives

## Key options considered prior to, and following receipt of the DEXUS Proposal

|                    | Continuation of External Management   | Joint Ownership of IOM with ICPF  | Implementation Deed Rights   |
|--------------------|---|---|--|
| Description        | <ul style="list-style-type: none"> <li>Retention of external management under new owner of IOMH or the appointment of a new external manager</li> </ul>   | <ul style="list-style-type: none"> <li>Proposal from ICPF for IOF and ICPF to jointly own the Platform</li> </ul>   | <ul style="list-style-type: none"> <li>Implementation Deed provides IOF rights:                             <ul style="list-style-type: none"> <li>Option to facilitate the acquisition of an interest in the Platform when IOF assets &gt;\$3.5bn</li> <li>Pre-emptive rights in certain circumstances if IPGH or IOMH sought to sell the Platform</li> </ul> </li> </ul> |
| Review Process     | <ul style="list-style-type: none"> <li>Discussions with potential owners of the Platform, including parties shortlisted in Morgan Stanley Sale Process, and subsequently ICPF</li> <li>Discussions with parties interested in becoming the new external manager of IOF</li> </ul>   | <ul style="list-style-type: none"> <li>Discussions with ICPF in relation to joint ownership proposal</li> <li>IOF proposed alternatives (to provide IOF greater independence whilst maintaining scale benefits) which were not accepted by ICPF</li> </ul>              | <ul style="list-style-type: none"> <li>Existing rights not triggered:                             <ul style="list-style-type: none"> <li>Assets remain &lt;\$3.5bn</li> <li>Platform sale avoided pre-emptive right</li> </ul> </li> <li>Operation / value of the rights considered in the context of a new owner of the Platform</li> </ul>                               |
| Key Considerations | <ul style="list-style-type: none"> <li>Peers are internally managed</li> <li>Internal management considered to provide a superior management and governance structure</li> <li>Recognised investor preference for internal management</li> <li>Acknowledged the Platform had provided good management to IOF</li> <li>Actual or perceived conflicts exist with external management</li> </ul> | <ul style="list-style-type: none"> <li>Joint ownership not equivalent to an internalisation; IOF remains externally managed, albeit with partial ownership of management entity</li> <li>Uncertainty relating to the stability and viability of the platform</li> </ul> | <ul style="list-style-type: none"> <li>Given rights not triggered, no opportunity to exercise</li> <li>However, rights seen to not provide the same “path to internalisation” following the sale of the Platform to a strategic holder</li> </ul>  |

A discussion of the alternatives considered is set out in Section 4.2 of the Explanatory Memorandum

## Strategic Review – summary of the key alternatives (continued)

### Key options considered prior to, and following receipt of the DEXUS Proposal

|                    | Standalone Internalisation   | Liquidation/Wind up   | Control Proposal  |
|--------------------|--|---|---|
| Description        | <ul style="list-style-type: none"> <li>• IOF internalisation via either:               <ul style="list-style-type: none"> <li>- Acquisition of the Platform</li> <li>- Standalone acquisition of IOF management entity</li> <li>- IOF vote to replace current manager with an IOF entity</li> </ul> </li> </ul>                                  | <ul style="list-style-type: none"> <li>• Sale of assets or constituent trusts of IOF followed by a liquidation of IOF and return of capital to IOF Unitholders</li> </ul> | <ul style="list-style-type: none"> <li>• Acquisition of all of IOF Units or assets or merger with an existing A-REIT</li> </ul>   |
| Review Process     | <ul style="list-style-type: none"> <li>• IOF put a proposal for a standalone IOF internalisation to:               <ul style="list-style-type: none"> <li>- Morgan Stanley (as the ultimate owner of the Platform at the time)</li> <li>- Parties short-listed by Morgan Stanley to acquire the Platform (including ICPF)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Detailed analysis of potential sale proceeds and likely value leakages</li> <li>• Entire portfolio revalued</li> </ul>           | <ul style="list-style-type: none"> <li>• Engagement with Australian and global real estate investors with the capacity and capability to acquire IOF</li> <li>• Negotiation with DEXUS following receipt of initial proposal</li> </ul> |
| Key Considerations | <ul style="list-style-type: none"> <li>• Despite efforts by the IBC, no substantive progress could be made to negotiate a standalone internalisation</li> <li>• IOF's lack of scale and fee arrangements expected to impact feasibility and value of management rights</li> <li>• Neutral to earnings; NTA dilutive</li> </ul>                   | <ul style="list-style-type: none"> <li>• Inefficient mechanism to deliver value to IOF Unitholders</li> <li>• Uncertainty as to timing as well as market risk</li> </ul>  | <ul style="list-style-type: none"> <li>• Control proposal needed to deliver attractive value proposition to IOF Unitholders and be superior to alternatives in order to be recommended</li> </ul>                                       |

A detailed discussion of these issues is set out in Section 4.2 of the Explanatory Memorandum

# Conclusion

03

## Conclusion

---

- > Notice of Meeting and Explanatory Memorandum dated 9 March 2016 in relation to the DEXUS Proposal has been released to ASX
- > Independent Directors of ILMFL unanimously recommend that IOF Unitholders vote in favour of the DEXUS Proposal, in the absence of a Superior Proposal
- > Independent Expert, KPMG Corporate Finance has opined that the DEXUS Proposal is fair and reasonable to, and in the best interests of, IOF Unitholders in the absence of a superior proposal
- > IOF Unitholder meeting to consider the DEXUS Proposal has been convened for 10.00am Friday 8 April 2016

IOF Unitholders should read the Explanatory Memorandum in full prior to making a decision in relation to the DEXUS Proposal

If you have any questions in relation to the Proposal, please contact the IOF Unitholder information line on 1300 308 902 (callers in Australia) or +61 2 9098 9228 (callers outside Australia) between 8.30am to 5.30pm (Sydney time) Monday to Friday

# Appendix





# Change of ownership of Investa Office Management Platform

---

## Transfer of management rights of IOF

- > As announced on 7 March, Morgan Stanley has completed the sale of the Platform to an entity to be stapled to ICPF
  - the Platform, now ultimately owned by ICPF investors, continues to manage IOF
  - Morgan Stanley has retained the unitholding in IOF, previously held by the Platform
- > In recommending the DEXUS Proposal, the IBC was aware of the likelihood of the transfer of the Platform to ICPF occurring
  - the IBC considers the DEXUS Proposal to be superior to ongoing external management
- > The IBC also notes:
  - since December 2015, the IBC has been subject to undertakings in the Implementation Agreement with DEXUS that restricts discussions related to a management proposal from a new owner of the Platform

## Conditions precedent

---

The implementation of the DEXUS Proposal is subject to the satisfaction or waiver (where applicable) of a number of Conditions Precedent including (without limitation):

1. Approval of the Proposal Resolutions at the Meeting by the requisite majorities of IOF Unitholders (being 8 April 2016)
2. The receipt of the Second Judicial Advice

Further details regarding the Conditions Precedent and their status are set out in Section 14.3 of the Explanatory Memorandum.

As announced on 19 January 2016, DEXUS has been notified by the ACCC that it does not intend to conduct a public review of the Proposal.