

This document is important and requires your immediate attention.

If you are in any doubt as to the action you should take, please consult your stockbroker, banker, attorney, accountant or other professional adviser.

Action required:

1. If you are a participatory interest holder ("PI Holder") in the SA Corporate Real Estate Fund as at the Record Date for participation in the ballot, being 31 January 2014, please complete the attached ballot form and return it in the enclosed postage paid envelope addressed to the auditors of the SA Corporate Real Estate Fund, Deloitte, at PO Box 578, Cape Town, 8000 to be received by no later than 17:00 on 24 March 2014 (Closing Date for participation in the ballot).
2. The ballot form is for the use by PI Holders who either are certificated PI Holders or who have dematerialised their PIs with "own name" registration and by the Central Securities Depository Participants ("CSDPs") of those PI Holders who have dematerialised their PIs without "own name" registration. PI Holders who have dematerialised their PIs and whose PI holding are not recorded in their own names in the sub-register maintained by their CSDP should advise their CSDP or broker as to what action they wish such CSDP or broker to take on their behalf.
3. Only the votes in respect of those PIs held by PI Holders registered as on the Record Date and received by the Closing Date, will be taken into account for the purposes of determining the votes on the ballot.



A portfolio forming part of SA Corporate Real Estate Trust Scheme ("the Scheme"), a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, 45 of 2002, and managed by:



Memorandum to PI Holders in the Fund regarding the Proposed Amendments to the Deed which established the Scheme in terms of which:

- the Initial Charge is removed;
- the Existing Service Charge Arrangement in respect of the Fund is amended; and
- the limit of borrowing by the Scheme is increased from the current limit of 30% to 60% of the value of the underlying assets comprising the relevant portfolio;

and incorporating:

- a ballot form for completion by PI Holders or their CSDPs.

Trustee of the Scheme



Independent expert to SA Corporate PI Holders



Auditors of the Fund



Attorneys



Investment Bank



CORPORATE INFORMATION

Manager

SA Corporate Real Estate Fund Managers Limited
South Wing, First Floor
Block A, The Forum
North Bank Lane
Century City
7441

Directors:

Chairman

Executive directors

Independent non-executive directors

Non-executive directors

Trustee

First Rand Bank Limited (acting through RMB Custody and Trustee Services division)
1st Floor, No 3 First Place, Bank City
Corner of Jeppe and Simmonds Streets
Johannesburg
2001

Investment Bank

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Antoinette Margaret Basson (Financial Director)

Gugulethu Patricia Dingaana, Kenneth John Forbes,
Ebrahim Suleman Seedat, Sayed Hoosen Mia and
Robert John Biesman-Simons

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Auditors

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Green Point
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Independent expert

Grant Thornton
Grant Thornton Office Park
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Sandown, Johannesburg
2196

SALIENT DATES AND TIMES¹

2014

Last date to trade (“ LDT ”)	24 January
Record Date for participation in the ballot	31 January
Circular posted to PI Holders	7 February
Last day to submit ballot (Closing Date)	24 March
Publication of results of the ballot (anticipated to be) ²	Week commencing 31 March

Notes:

1. The dates and times in this document are subject to change and any changes will be released on SENS and published in the press.
2. The announcement of the results of the ballot will be released on SENS and published in the Press and will only take place after the Registrar has approved the ballot process and the Supplemental Deed.

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	Inside front cover
SALIENT DATES AND TIMES	1
DEFINITIONS AND INTERPRETATIONS	3
1. INTRODUCTION AND BACKGROUND	6
2. PROPOSED AMENDMENT NUMBER 1	7
2.1 BACKGROUND TO THE PROPOSED TRANSACTION	7
2.2 PROPOSED AMENDMENT	7
2.3 CONSIDERATION	9
2.4 CONDITIONS PRECEDENT	10
2.5 RATIONALE	10
2.6 <i>PRO FORMA</i> FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION	11
2.7 MECHANICS AND STRUCTURE OF THE PROPOSED TRANSACTION	12
2.8 FAIRNESS OPINION	14
3. PROPOSED AMENDMENT NUMBER 2	14
3.1 BACKGROUND AND RATIONALE	14
3.2 PROPOSED AMENDMENT	15
3.3 CONDITIONS PRECEDENT	15
4. IMPLEMENTATION DATE OF THE PROPOSED AMENDMENTS	16
5. TERMS OF THE PROPOSED AMENDMENTS	16
6. BALLOT	16
7. RECOMMENDATION	16
ANNEXURE I – FAIRNESS OPINION	17
BALLOT FORM	Enclosed

DEFINITIONS AND INTERPRETATIONS

In this document, unless the context indicates otherwise, the words in the first column have the meanings stated alongside them in the second column, references to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and cognate expressions shall bear corresponding meanings

"Agreements"	the Implementation Agreement, the Relationship Agreement and the Termination and Sale Agreement;
"Amendment 1"	the amendment to the Deed in terms of the Supplemental Deed as defined in paragraph 1.3.1;
"Amendment 2"	the amendment to the Deed in terms of the Supplemental Deed as defined in paragraph 1.3.2;
"Association"	the Association of Property Unit Trust Management Companies (now incorporated into SAREITSA);
"Auditors"	Deloitte;
"ballot"	the ballot process to ballot the PI Holders other than the Manager in respect of the Proposed Amendments pursuant to the Deed, the document and the ballot form;
"ballot form"	the blue ballot form enclosed with this document, to be returned to the Auditors in accordance with the instructions contained herein;
"Board"	the board of directors of the Manager;
"Business"	means the business carried on by OMP, being the business of carrying out the Management Function;
"CISCA"	the Collective Investment Schemes Control Act, No 45 of 2002, as amended;
"CISIP"	a collective investment scheme in property established in terms of CISCA;
"Closing Date"	Monday, 24 March 2014, being the last day of the 30-day business period required for the ballot in terms of clause 42.1.6 of the Deed;
"Conditions Precedent"	the conditions precedent to the Proposed Transaction as described in paragraph 2.4;
"Consideration"	the consideration payable by the Fund to the Manager as defined in paragraph 2.3;
"CSDP"	Central Securities Depository Participant as defined in section 1 of the FMA;
"DPF"	Durban Pension Fund, a juristic person established in terms of the Pensions Fund Act, No 24 of 1956, and a 5% shareholder of the Manager;
"Deed"	the deed entered into by the Manager and the First Trustee in terms of which the Scheme was established, along with all supplemental deeds to date;
"Deloitte"	Deloitte & Touche (practice number 902276), a partnership entered into in accordance with the laws of South Africa;
"document"	this circular to PI Holders of the Fund, and enclosing the ballot form;
"Existing Service Charge Arrangement"	the service charge arrangement contemplated in paragraph 2.2.1;
"Existing Maximum Indebtedness Limit"	the maximum debt capacity of the Fund as contemplated in paragraph 3.2.1;
"First Trustee"	ABSA Bank Limited (registration number 1986/004794/06), a public company duly incorporated and registered as a bank in accordance with the laws of the Republic of South Africa;

“FMA”	the Financial Markets Act, No 19 of 2012, as amended;
“FSB”	Financial Services Board, a regulatory body with oversight over the financial services sector in South Africa;
“Fund”	the SA Corporate Real Estate Fund, a portfolio in the Scheme;
“Grant Thornton”	Grant Thornton Advisory Services Proprietary Limited (registration number 2002/022635/07), a private company duly incorporated in accordance with the laws of South Africa;
“Implementation Agreement”	the agreement between MPS, OMP and the Manager, dated 31 October 2013, in terms of which, among other things, the parties have agreed to effect the ballot and subject to fulfilment or waiver, as the case may be, of the Conditions Precedent, the Manager will be paid the Consideration;
“Implementation Date”	the 3rd (third) business day after the last day of the month in which the Unconditional Date falls;
“Initial Charge”	the initial charge as contemplated in paragraph 2.2.1.1;
“JSE”	JSE Limited (registration number 2005/022939/06), licensed as an exchange under the FMA;
“Listings Requirements”	The JSE Listings Requirements;
“Management”	the executive management of the Manager, responsible for the day-to-day operations of the Fund;
“Management Function”	means the management and day-to-day operations of the Fund including asset management, financial and company secretarial services;
“Management Relationship”	the existing relationship between the Fund and the Manager in terms of which the Manager, as an entity separate and distinct from the Fund, carries on the business of administering the Fund in exchange for a service charge, such relationship being expressly required by the CISCA and the Deed as at the date of this document;
“Manager”	SA Corporate Real Estate Fund Managers Limited (registration number 1994/009895/06), a public company duly incorporated in accordance with the laws of South Africa;
“Master Schedule”	the Master Schedule which is incorporated into the Deed pursuant to the Second Supplemental Deed and which is Annexure A to the Deed;
“MPS”	Marriot Property Services Proprietary Limited (registration number 1982/006032/07), a public company duly incorporated in accordance with the laws of South Africa, a 95% shareholder of the Manager and 100% owned by OMP;
“New Service Charge Arrangement”	the new service charge arrangement as contemplated in paragraph 2.2.2.2 that is proposed to replace the Existing Service Charge Arrangement in respect of the Fund;
“New Maximum Indebtedness Limit”	the new maximum debt capacity of the Fund as contemplated in paragraph 3.2.2 that is proposed to replace the Existing Maximum Indebtedness Limit in respect of the Fund;
“OMP”	Old Mutual Property Proprietary Limited (registration number 1996/011259/07), a public company duly incorporated in accordance with the laws of South Africa;
“PI”	participatory interest in the Fund;
“PI Holder”	participatory interest holder in the Fund;
“Proposed Amendments”	the Proposed Amendments to the Deed contained in the Supplemental Deed, which are also known as Amendment 1 and Amendment 2 in paragraphs 1.3.1 and 1.3.2 and which are summarised further in paragraphs 2.2 and 3.2 and explained in detail in the remainder of this document;

“PUT”	property unit trust or a CISIP;
“Proposed Transaction”	the proposed internalisation of the Manager, which means that the Manager takes over from OMP the asset management function in relation to the assets of the Fund, the Existing Service Charge Arrangement in respect of the Fund is amended, PI Holders' rights to appoint directors to the Board are enhanced and the Manager receives the Consideration;
“R”	South African Rand, the official currency of South Africa;
“Record Date”	Friday, 31 January 2014, being the date on which PI Holders must be registered as such in order to receive this Circular and to participate in the ballot;
“Registrar”	Registrar of Collective Investment Schemes;
“Relationship Agreement”	the agreement between MPS, OMP and the Manager, dated 31 October 2013, styled “The Relationship Agreement”, pursuant to which, among other things, PI Holders will be entitled to participate in a process by which PI Holders may determine the majority of the Board which process is to be incorporated into the memorandum of incorporation of the Manager (“ MOI ”);
“Related Parties”	related parties to the Manager in terms of the Listings Requirements;
“REIT”	a real estate investment trust in terms of the Listings Requirements;
“SA Corporate” or “the Fund”	SA Corporate Real Estate Fund;
“SAREITSA”	South African Real Estate Investment Trust Association;
“Scheme”	the SA Corporate Real Estate Trust Scheme, a CISIP established in terms of the CISCA;
“SENS”	Stock Exchange News Service;
“Shareholders”	DPF and MPS, with an effective interest in the ordinary share capital of the Manager of 5% and 95%, respectively;
“Signature Date”	means the date that the last party signed the Implementation Agreement;
“Supplemental Deed”	the Sixth Supplemental Deed;
“Termination and Sale Agreement”	as defined in paragraph 2.7.2;
“Trustee”	FirstRand Bank Limited (registration number 1929/001225/06), a public company duly incorporated and registered as a bank in accordance with the laws of the Republic of South Africa, acting through its RMB Custody and Trustee Services Division; and who replaced the First Trustee in accordance with Supplemental Deed number 4;
“Unconditional Date”	the date on which the Implementation Agreement becomes unconditional due to the fulfilment or waiver as the case may be of the Conditions Precedent;
“URD”	means a PI Holder or Investor Representative Director, ie a director on the Board who has been elected pursuant to the process set out in clause 2.7.3.2; and
“VAT”	value-added tax levied in terms of the Value-Added Tax Act, No. 89 of 1991.

MEMORANDUM TO PI HOLDERS

I. INTRODUCTION AND BACKGROUND

PI Holders are referred to the announcement by the Manager on SENS on 31 October 2013 and in the press on 1 November 2013 which announcement advised PI Holders that the Manager, MPS and OMP had reached agreement among other things to amend the Deed to “economically internalise” the management of the Scheme, and the Consideration to be paid to the Manager for its agreement to amend the Existing Service Charge Arrangement, as well as the conclusion of the Relationship Agreement and the Termination and Sale Agreement, subject to the approval of the PI Holders by ballot in accordance with the Deed and regulatory approvals. PI Holders were also informed that they were to be balloted on amendments to the borrowing limits of the Scheme.

- 1.1 PI Holders are also referred to the announcement by the Manager on SENS on Friday 17 January 2014 and in the press on Tuesday, 21 January 2014 notifying PI Holders of the LDT and Record Date to be registered as PI Holders to participate in the ballot.
- 1.2 A brief summary of the recent history of the Deed which established the Scheme and the Fund is that as a result of CISCA coming into effect on 3 March 2003, the Manager on 30 June 2003 and the First Trustee on 6 August 2003, signed and executed a deed in order to provide for the continuation of the collective investment scheme in property known as the Martprop Property Trust Scheme, in accordance with the provisions of CISCA, which deed was approved by the Registrar on 27 February 2004. The Deed has subsequently been amended by Supplemental Deed Number 1 approved by the Registrar on 27 February 2004, Supplemental Deed Number 2 approved by the Registrar on 17 July 2006, Supplemental Deed Number 3 approved by the Registrar on 15 November 2006 (in terms of which the Scheme was renamed SA Corporate Real Estate Scheme, the portfolio established in terms thereof was renamed SA Corporate Real Estate Fund and the Manager was renamed SA Corporate Real Estate Fund Managers Limited), Supplemental Deed Number 4 approved by the Registrar on 16 November 2012, and Supplemental Deed Number 5 approved by the Registrar on 20 December 2013, which ensures that the Manager and all Related Parties to the Manager are excluded from voting on Amendment 1 to this ballot with respect to the Proposed Transaction.
- 1.3 The Manager proposes that the Deed be amended in terms of the Supplemental Deed, to provide that:
 - 1.3.1 the existing service charge arrangement in respect of the Fund will be changed from a monthly charge based on a value of one 12th of 0.4% of the aggregate market capitalisation of the Fund plus borrowings, to a monthly charge equal to the actual operating costs incurred by the Manager in administering the Fund as well as the scrapping of the initial charge of 5% on the value of any new PIs (“units”) issued (“**Amendment 1**”). A lump sum of R185 million plus VAT, will be paid by the Fund to the Manager, to be settled by existing cash resources within the Fund, pursuant to the Agreements; and
 - 1.3.2 the borrowing limits of the Fund, will be increased from 30% to 60% of the value of its underlying assets (“**Amendment 2**”).
- 1.4 The Trustee and the Registrar have consented in principle to the proposed Supplemental Deed, subject to obtaining the consent of PI Holders holding a majority of the total number of PIs held by the PI Holders (excluding the PIs held by the Manager and the PIs held by the Related Parties to the Manager in respect of Amendment 1 and excluding the PIs held by the Manager in respect of Amendment 2) who all participate in the ballot process described in paragraph 6 below. The ballot in respect of Amendment 1 and Amendment 2 is separate and PI Holders may vote in favour of or against both Proposed Amendments or in favour of one and against the other of the Proposed Amendments. PIs held by the Manager and Related Parties to the Manager will be excluded from the ballot votes in respect of Amendment 1 and PIs held by the Manager will be excluded from the ballot votes in respect of Amendment 2.
- 1.5 The Board is of the opinion that the Proposed Amendments to the Deed, as contained in the Supplemental Deed, will be beneficial to PI Holders and hence recommends that PI Holders, save as excluded in paragraph 1.4 above, vote in favour of the proposed Supplemental Deed.
- 1.6 This document, which is addressed to all PI Holders, contains the salient features of the Proposed Amendments and the procedure to be adopted in order to approve and implement the Proposed Amendments, as well as a ballot form and a postage paid, self-addressed envelope. The exact terms of the Proposed Amendments appear from the draft of the Supplemental Deed which has been submitted to and approved in principle by the Registrar and the Trustee (subject to obtaining the necessary consent of PI Holders) and will be made available with the Deed for inspection by PI Holders during normal business hours at the registered office of the Manager at South Wing, First Floor, Block A, The Forum North Bank Lane Century City, 7441 from 7 February 2014 until 24 March 2014.

- 1.7 In the circumstances, PI Holders are called upon to consider and vote in respect of the Proposed Amendments, which is subject to the consent of PI Holders holding a majority of the total number of Pls held by all PI Holders, (excluding the Pls held by Manager and the Pls held by the Related Parties of the Manager, who reply to the ballot in respect of Amendment 1 and excluding the Pls held by the Manager in respect of Amendment 2. In order for the ballot to be properly conducted, the replies of PI Holders holding not less than 25% in value of the total number of Pls in issue, excluding the Pls held by the Manager and Related Parties to the Manager in respect of Amendment 1 and excluding the Pls held by the Manager in respect of Amendment 2, are required to be received in writing.

2. PROPOSED AMENDMENT NUMBER I

2.1 Background to the proposed transaction

- 2.1.1 The Fund has historically traded at a high forward yield relative to its peer group. A primary contributory factor to this is the market perception that there is a misalignment of management and investor interests and an aversion to the PUT structure with its additional compliance burden and restriction on both the level of and use of borrowing imposed by the CISCA, which is administered by the FSB. It is anticipated that with the recent introduction of REIT legislation the preference for REIT companies will only increase.
- 2.1.2 The rationale for SA Corporate in executing an internalisation of its Manager is to broadly align the interests of the Manager with those of its PI Holders and eliminate any real and perceived conflicts. In order to achieve a complete internalisation, which results in PI Holders having control over Management and the Board, and ownership of the Manager, a two-phased approach has been proposed, which aims to achieve the following:
- 2.1.2.1 Phase I is a transitional phase which aims to:
- 2.1.2.1.1 increase PI Holder representation on the Board;
 - 2.1.2.1.2 align remuneration of management with PI Holder interests; and
 - 2.1.2.1.3 remove any perceived conflict of interest between the interests of the Manager and the interests of PI Holders by amending the Deed with respect to the service fee payable by the Fund to Manager, to a cost recovery based mechanism.
- 2.1.2.2 Phase II involves the conversion of the Scheme and the Fund from a PUT to a REIT, incorporated as a company (the “**REIT Company**”). At the appropriate time, the Manager intends proposing to PI Holders that the Fund be converted to a REIT Company, as and when the appropriate regulatory framework is in place to achieve this, as cost effectively as reasonably possible. As soon as the REIT Company is incorporated and the appropriate regulatory framework is in place, it is the intention for the REIT Company to purchase the Manager from the Shareholders for a nominal sum as provided in the Relationship Agreement, thereby giving PI Holders full control over the Board, and the REIT Company 100% ownership of the Manager.
- 2.1.2.3 SAREITSA, of which the Manager and Scheme are members, has engaged the Registrar, to formulate a framework within which Phase II can be effected. A number of provisions have been incorporated into the Relationship Agreement to facilitate the “conversion” if and when it occurs. PI Holders will be informed as and when appropriate of developments in this regard.

2.2 Proposed amendment

2.2.1 Current position

- 2.2.1.1 Clause 1 of the Master Schedule to the Deed currently provides that the Manager shall be entitled to determine from time to time at its discretion the initial charge in regard to the issue of any Pls in the Scheme, provided that it shall in no event amount to more than 5% of the made-up price per PI (“**Initial Charge**”).
- 2.2.1.2 Clause 2 of the Master Schedule to the Deed currently provides that the Trustee shall pay to the Manager, as remuneration for the services rendered by the Manager to the Fund, a monthly service charge, exclusive of VAT, of 1/12th (one-twelfth) of 0.4% (zero comma

four percent) of the monthly aggregate of the average daily closing price of the PI and listed for the relevant month, multiplied by the number of PIs in issue, plus the aggregate amount of the loans contracted by each of the fixed property companies forming part of each such portfolio or the portfolio itself from time to time; provided however that where any one or more of such loans have been contracted by way of a facility which allows the short-term repayment and subsequent withdrawal of such funds without further approval by the lender; for the purposes of such determination, the amount of such loan shall not be reduced by the amount of any temporary repayment of part or all such facility, where any such subsequent withdrawals are for purposes contemplated in the deed, including but not limited to:

- 2.2.1.2.1 the payment of distribution to investors in each such portfolio; or
- 2.2.1.2.2 the acquisition of additional immovable property or security and shareholders' loan accounts in a company which is to become a fixed property company in each such portfolio; or
- 2.2.1.2.3 to pay such expenses as are permitted in terms of the Deed and/or the Act, during the income distribution period in respect of which the service charge is calculated. For the purpose of calculating the monthly aggregate of the average daily closing price of PI, the sum of average daily closing price in respect of each trading day of the month in question shall be divided by the number of such days in that month ("**Existing Service Charge Arrangement**").

2.2.2 **Proposed Amendments**

2.2.2.1 **Initial Charge**

- 2.2.2.1.1 The Manager proposes amending the Deed by deleting Clause 30 of the Deed in its entirety.

2.2.2.2 **Existing Service Charge Arrangement**

- 2.2.2.2.1 The Manager proposes amending the Deed by deleting Clause 35.3 of the Deed and Item 2 of the Master Schedule (headed "Service Charge (Clause 35.1)") in its entirety and the substitution therefore of the following (wording as per the Supplemental Deed):

"2. **Service Charge (Clause 35.1)**

As remuneration for the services rendered by the manager to the scheme and to each of the portfolios which constitute the scheme, the trustee shall pay to the manager:

- 2.1 *in return for the manager agreeing to the amendment of the original service charge arrangement in respect of the scheme, and to the provisions of the Relationship Agreement between the manager, Old Mutual Property Proprietary Limited ("OMP") and Marriot Property Services Proprietary Limited ("MPS") dated 31 October 2013 and ratified by the trustee ("Relationship Agreement"), an amount of R185 000 000.00 (one hundred and eighty five million rand), plus value-added tax ("VAT") thereon, being R210 900 000.00 (two hundred and ten million nine hundred thousand rand) in aggregate will be paid on the Closing Date (as defined in the Implementation Agreement between the manager, OMP and MPS, dated 31 October 2013 and ratified by the trustee), being the third business day after the last day of the month in which the Implementation Agreement becomes unconditional; and*
- 2.2 *a monthly service charge, plus VAT thereon, that is equal to the actual and reasonable operating costs incurred by the manager in administering the scheme as specified in more detail in clause 2.3 of this MASTER SCHEDULE below, which monthly service charge arrangement shall endure in perpetuity, unless otherwise as agreed in terms of a supplemental deed between the trustee and the manager and approved by a ballot of investors in accordance with the relevant provisions of the deed.*

- 2.3 The operating costs referred to in clause 2.2 of this MASTER SCHEDULE above comprise:
- 2.3.1 the actual and reasonable operating expenses and overheads incurred by the manager in administering the scheme, which costs vary from month to month and comprise, inter alia, directors' fees, directors' insurance, office rental, entertainment expenses, office expenses, machine and other leasing charges, printing and stationery, staff costs, staff functions, subscriptions, telephones and internet and other electronic communication expenses and charges, postages, training and travelling;
 - 2.3.2 regulatory charges and all costs imposed by law (including association levies, accounting and secretarial fees, audit fees and Financial Services Board levies/fees paid by the manager or paid on behalf of the scheme by the manager including such charges which would not be deductible from the scheme in terms of section 93(1) of the Act, save for the provisions of this clause);
 - 2.3.3 bank, finance charges and/or the costs of funding including capital repayments, payable to third party lenders including the shareholders of the manager from time to time, to meet the reasonable working capital requirements of the manager in respect of managing and operating the scheme, including without limitation, the costs of the manager in meeting the regulatory requirements of the Act in respect to the working capital requirements of the manager from time to time, as specified in the Regulations to the Act as amended from time to time;
 - 2.3.4 expenses incurred by the manager in respect of any corporate action arising out of or in connection with the participatory interests of the scheme being regulated by the Act and the deed and/or being listed on the JSE, including expenses incurred in the production of circulars to and balloting of investors and the holding of meetings of investors in terms of the Listings Requirements of the JSE and/or the Act and/or the deed and/or the Relationship Agreement (as defined in clause 2.1 of the MASTER SCHEDULE above) and the costs relating thereto; and
 - 2.3.5 any other costs reasonably associated with the operation of the manager in providing its management services to the scheme and any portfolio established thereunder.
- 2.4 The manager may apportion or allocate the costs of its services between the buildings and fixed property companies in each Fund, on such basis as it may reasonably determine."

2.3 Consideration

- 2.3.1 in terms of the Proposed Transaction, a Consideration of R185 million plus VAT, will be paid by the Fund to the Manager, to be settled by existing cash resources within the Fund. The Registrar has approved the use of such existing cash resources and has undertaken to publish in the government gazette a notice in terms of section 93(2) of the CISCA to this effect.
- 2.3.2 The intention is for the Manager to be adequately capitalised for its further operations and for additional working and other capital requirements of the Manager to be funded through bank finance. Provision for the following will be retained by the Manager:
 - 2.3.2.1 associated transaction costs;
 - 2.3.2.2 appropriate tax provisions;

- 2.3.2.3 working capital requirements in addition to those to be funded through bank finance; and
- 2.3.2.4 approximately R6.59 million of additional regulatory capital requirements as required in terms of CISCA.
- 2.3.3 The balance of the Consideration and accumulated reserves will be distributed to the Shareholders.
- 2.3.4 The Manager will purchase the Business for the tax value of the movable assets to be transferred to it and will assume the obligations related to staff.

2.4 **Conditions precedent**

- 2.4.1 The implementation and execution of the Proposed Transaction will be subject to the following Conditions Precedent:
 - 2.4.1.1 the Registrar publishing a notice in terms of section 93(2) of CISCA permitting the Manager to utilise proceeds of sales of immovable property from the Fund to settle the Consideration, which condition precedent is to be fulfilled by no later than 31 March 2014, or such later date as such parties may agree;
 - 2.4.1.2 the approval of the Registrar and the Trustee to the ballot, the ballot form and the Supplemental Deed (this approval has already been obtained in principle, subject to obtaining the consent of PI Holders, as provided in clause 2.4.1.3 below, which condition precedent is to be fulfilled by no later than 31 March 2014, or such later date as the parties to the Implementation Agreement may agree; and
 - 2.4.1.3 the consent of PI Holders to the Proposed Amendments, holding a majority in value of the total number of PIs held by all PI Holders (excluding the PIs held by the Manager and Related Parties to the Manager in respect of Amendment 1 and excluding the PIs held by the Manager in respect of Amendment 2) who reply to the ballot being obtained, which condition precedent is to be fulfilled by no later than 30 May 2014, or such later date as the parties to the Implementation Agreement may agree. In order for the ballot to be properly conducted, the replies of such PI Holders, excluding the Manager and the Related Parties, as applicable, holding not less than 25% in value of the total number of the PIs in the Fund must be received.

2.5 **Rationale**

- 2.5.1 The rationale for the Proposed Transaction includes the following:
 - 2.5.1.1 investors tend to favour internally managed property funds over externally managed property funds as there is perceived to be better alignment of staff and management's interests with PI Holders and the removal of conflicts of interest between the interests of the Manager and PI Holders;
 - 2.5.1.2 the removal of the annual service charge of 0.4% of enterprise value of the Fund paid by the Fund to the Manager and of the Initial Charge and introduction of the New Service Charge Arrangement, will enhance distributions to PI Holders and allow SA Corporate to be more competitive in pricing new acquisitions;
 - 2.5.1.3 the potential increase in costs savings and the achievement of economies of scale from the Manager employing its own staff versus paying a management fee will benefit PI Holders; and
 - 2.5.1.4 PI Holders will have greater say in the composition of the Board.
- 2.5.2 The New Service Charge Arrangement will effectively align the Manager's objectives with those of PI Holders of creating long-term sustainable growth in the Fund. The view of the Manager is that if the New Service Charge Arrangement is not implemented, it will place the Fund at a competitive disadvantage to property funds and other international CISIPs which have in place similar fee structures to the New Service Charge Arrangement. The Manager's service charges will continue to rise as the Fund grows in value, whereas internally managed property vehicles will be able to utilise economies of scale in order to increase income distributions to PI Holders without increasing the costs of management.

2.6 Pro forma financial effects of the proposed transaction

- 2.6.1 The unaudited *pro forma* financial effects below (prepared for illustrative purposes only) are the responsibility of the Board and have not been reviewed or reported on by the reporting accountant in terms of section 8 of the Listings Requirements.
- 2.6.2 The New Service Charge Arrangement is expected to be earnings enhancing for PI Holders, as the estimated cost saving for the Fund (by foregoing the Existing Service Charge) is expected to more than offset the foregone interest savings from utilising available cash as an alternative to debt, to fund acquisitions.
- 2.6.3 The unaudited *pro forma* financial effects presented in the table below have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS, in order to provide information about:
- 2.6.3.1 the financial results and financial position of SA Corporate for the six months ended 30 June 2013 assuming the Proposed Transaction had been implemented on 1 January 2013, and
- 2.6.3.2 the INET forecasted distribution per PI of SA Corporate for the 12 months ending 31 December 2014 assuming the Proposed Transaction had been implemented on 1 January 2014.

Accordingly, such effects do not necessarily represent a true reflection of the financial effects of the Proposed Transaction on SA Corporate's current and future earnings.

	Before the Proposed Transaction	Pro forma post the Proposed Transaction	% Change
Basic earnings per PI for the six months ended 30 June 2013 (cents) ¹	36.24	36.37	0.36
Headline earnings per PI for the six months ended 30 June 2013 (cents) ¹	17.28	17.41	0.76
Distribution per PI (cents) for the six months ended 30 June 2013 ¹	16.28	16.41	0.80
Distribution per PI (cents) for the 12 months ending 31 December 2014 ²	34.00	34.24	0.70
Net asset value per PI (cents) as at 30 June 2013 ¹	362.00	362.16	0.04
Tangible net asset value per PI (cents) as at 30 June 2013 ¹	362.00	352.82	(2.54)
PIs in issue as at 31 December 2013 ^{1, 2}	1 980 093	1 980 093	–

Notes and assumptions:

Note 1

- The financial effects have been based off a Consideration of R185 million less additional regulatory capital of R6.59 million (net amount of R178.4 million) that will be made available to PI Holders upon the Fund converting to a REIT Company.
- It is assumed that the capital required to settle the Consideration is funded by existing cash resources (as a result of divestments of properties).
- The weighted average interest cost of the Fund for the six months ended 30 June 2013 of 7.4% has been applied for purposes of calculating the lost interest savings of utilising cash to fund the Consideration.
- It is assumed that the Existing Service Charge expense including transactional income for the period of R19.5 million is not paid to the Manager, with the Fund instead reimbursing the expenses of the Manager for the period, which expenses were R10.2 million* for the six-month period.

*Inclusive of once-off consultants' costs of approximately R2.1 million

Note 2

- INET consensus DPU for the 12 months ending 31 December 2014 of 34.00 cents has been used to illustrate the financial effects of the Proposed Transaction and accordingly should not be deemed a forecast.
- The financial effects have been based off a Consideration of R185 million less additional regulatory capital of R6.59 million (net amount of R178.4 million) that will be made available to PI holders upon the Fund converting to a REIT Company.
- It is assumed that the capital required to settle the Consideration is funded by existing cash resources (as a result of divestments of properties).
- The cost of funding for purposes of calculating the lost interest savings of utilising cash to fund the Consideration is assumed to be 8.66%, being the estimated cost of funding at the date of issuing this circular.

- It is assumed that the Existing Service Charge expense for the 12 months ending 31 December 2014 is estimated at R40.29 million is not paid to the Manager, with the Fund instead reimbursing the expenses of the Manager for the period, which expenses are estimated to be R20.13 million for the 12 months ending 31 December 2014.

2.7 Mechanics and structure of the proposed transaction

2.7.1 As disclosed in paragraph 2.1.2, in order to achieve a complete internalisation, which results in PI Holders having control over Management and the Board, and ownership of the Manager, it will require the Fund to convert to a REIT Company. However, until such time of the proposed "conversion", the Manager, OMP and the Trustee have agreed the following in order to amend the governance structure of the Fund and offer PI Holders more control over the composition of the Board. The Manager and OMP have signed the Termination and Sale Agreement and the Relationship Agreement incorporating the following:

2.7.2 Termination and Sale Agreement

2.7.2.1 An agreement has been entered into between the Manager and OMP, whereby both parties have agreed for the Manager to purchase the Business from OMP for the tax value of the movable assets to be transferred to it and will assume the business liabilities and obligations for the staff.

2.7.2.2 The effective control of the Business will be transferred to the Manager on the Implementation Date, and an amount determinable in terms of the clause 7.1 of the Termination and Sale Agreement (ie the tax values of the fixed assets) will be paid by the Manager to OMP on the Implementation date.

2.7.2.3 As part of the conversion, it is the intention of the REIT Company to purchase, for a nominal sum pursuant to the provisions of the Relationship Agreement, the Manager from the Shareholders.

2.7.3 Relationship Agreement

2.7.3.1 **Nomination and Remuneration Committee ("Nomcom")**

The Board has appointed a Nomination and Remuneration Committee to investigate and recommend Board appointments.

2.7.3.1.1 MPS will have a right to appoint one shareholder representative ("**the Shareholder Representative**") and an alternate to the Board.

2.7.3.1.2 The Shareholder Representative will be a member of the Nomcom of the Board. The Nomcom shall comprise at least three directors, one of whom shall be the Shareholder Representative. The quorum necessary for a valid meeting of the Nomcom shall be a majority of the members of the Nomcom, one of whom shall be the Shareholder Representative.

2.7.3.1.3 Should a resolution be proposed at a validly constituted meeting of Nomcom, such resolution may only be validly adopted if a majority of members of the Nomcom present at such meeting votes in favour thereof; or

2.7.3.1.4 be in the form of a written resolution circulated for signature by the members of Nomcom, such resolution shall only be validly adopted if it is signed by Nomcom members who collectively constitute a quorum as specified in 2.7.3.1.2.

2.7.3.2 **Process for the election of directors**

The Parties have agreed that the appointment of all Board members other than the Shareholder Representative and the Shareholder Representative's alternate shall in future be approved by PI Holders, and the process for appointing directors other than the Shareholder Representative is set out below:

2.7.3.2.1 The process for the appointment of a director shall take place in three stages:

2.7.3.2.2 Stage 1 – should the need to appoint a director arise, the members of the Nomcom shall identify suitable candidates and resolve, in accordance with clause 2.7.3.1.3, which of such candidates shall proceed to stage two and be eligible for appointment as a director.

- 2.7.3.2.3 The Nomcom would ensure that any person proposed as a director is a fit and proper person for the purposes of CISCA and that such candidate does not have a conflict of interest in respect of his or her appointment to the Board, and that if reasonably possible, that the Registrar's approval to the appointment of such person as required in terms of CISCA has been obtained for such candidate.
- 2.7.3.2.4 Stage 2 – The Manager shall, during the second stage of the appointment process, take the required steps (if any) in compliance with the Companies Act, Listings Requirements and the Deed, to either have PI Holders approve the nominees at the AGM of the Fund, or if deemed necessary or desirable to convene a special meeting of PI Holders or send a ballot to investors in order for the PI Holders to approve the nominations which were made by Nomcom in the first stage. The Manager is to convene a PI Holder general meeting annually as a form of annual general meeting as if the Fund were a company regulated by the Listings Requirements. Such nominated persons who are approved by PI Holders shall be regarded as Nominated Directors.
- 2.7.3.2.5 Stage 3 – The Manager shall after PI Holders have approved the requisite Nominated Directors, as soon as reasonably possible thereafter convene a meeting of the Shareholders of the Manager for the purposes of appointing to the Board the candidates approved in the previous stage (s) of the appointment process as set out in 2.7.3.2.4.
- 2.7.3.2.6 MPS undertakes to the Manager that at such meeting of the Shareholders of the Manager, it shall vote in favour of the appointment of the candidates in question.
- 2.7.3.2.7 Despite the provisions of clauses 2.7.3.2.1 to 2.7.3.2.6, the Board may co-opt the nominees nominated by Nomcom to the Board, as URDs, subject to the provisions of the Companies Act and the MOI, in order to meet the requirements of the Relationship Agreement and/or the Companies Act and/or the MOI and/or CISCA or any other legislation and/or the Registrar; provided that any such co-opted director shall stand for election at the next PI Holder general meeting convened for any reason including the AGM.

2.7.4 **Other governance considerations**

- 2.7.4.1 MPS will be granted step in rights to ensure oversight of the management of the Manager in order to ensure compliance with the FSB and CISCA requirements and provide comfort that an institution of stature stands behind the Manager during Phase I. MPS shall also be entitled to vote its shares in the Manager to rectify a situation where it reasonably believes that the Manager has taken or failed to take any action which has a negative impact on the reputation on MPS or OMP or any member of the group of companies to which either of MPS or OMP belong to, or which will cause a loss to any company of such group of companies.
- 2.7.4.2 The Manager will have a suitably staffed compliance function to ensure that all governance is in place and adhered to, and any material non-compliance will be reported to the Board and PI Holders.
- 2.7.4.3 Shareholder oversight of the Manager will be achieved through the Shareholder Representative. The roles of the Shareholders and the Board will be clarified, namely that:
 - 2.7.4.3.1 the business and affairs of the Manager will be controlled and managed by the Board in the best interests of the Fund and PI Holders; and
 - 2.7.4.3.2 the Shareholders will attend to such matters as required by the Companies Act and the MOI of the Manager, and will be entitled to receive such information from the Board as would enable the Shareholders to assess the governance of the Manager, always respecting and in no way compromising the fiduciary duties of the Board.
- 2.7.4.4 PI Holders shall in future, after the settlement of the Consideration be entitled to procure the election of the majority of the Board, so that the Board will comprise:

- 2.7.4.4.1 the Shareholder Representative (and his or her alternate);
- 2.7.4.4.2 the managing director/chief executive officer and the financial director/chief financial officer as *ex officio* directors; and
- 2.7.4.4.3 The URDs as non-executive directors who shall comprise the majority on the Board and a majority of which will be independent.
- 2.7.4.5 To the extent that such restrictions are not already in place, the Manager shall amend its MOI so as to incorporate further restrictions to its powers so that without the prior written approval of the Registrar, the Manager shall not be able to undertake any transactions of any nature whatsoever other than complying with its statutory obligations and its obligations as manager arising from CISCA and the Deed.
- 2.7.4.6 The Manager shall not be entitled to outsource the asset management function in respect of the Fund, by way of appointment of an asset manager other than itself, without the prior written approval of OMP, which shall not be unreasonably withheld or delayed.

2.8 Fairness opinion

- 2.8.1 The Manager has appointed Grant Thornton, as an independent valuer, to consider the terms of the Proposed Transaction, and to advise the Board and, through the Board, the PI Holders, as to whether the Proposed Transaction is fair and reasonable.
- 2.8.2 Grant Thornton has advised the Board that it has considered the terms and conditions of the Proposed Transaction and is of the opinion that these terms and conditions are fair and reasonable to PI Holders. The text of the letter from Grant Thornton is included as Annexure 1 to this document and the letter has not been withdrawn prior to the publication of this document.
- 2.8.3 The Board, having considered, *inter alia*, the independent advice of Grant Thornton and the terms and conditions of the Proposed Transaction, is of the opinion that these terms and conditions are fair and reasonable to PI Holders and it recommends that the PI Holders vote in favour of the Proposed Transaction.

3. PROPOSED AMENDMENT NUMBER 2

3.1 Background and rationale

- 3.1.1 In addition to the Proposed Transaction, SA Corporate has decided to increase its borrowing limits to align the Fund's Deed to the debt limits allowed by the Registrar, following the Registrar's increase, in 2007, of the level of gearing allowed in a CISIP from 30% to a maximum of 60% of the fair market value of the underlying assets in a CISIP.
- 3.1.2 The rationale for the amendment to the Existing Maximum Indebtedness Limit:
 - 3.1.2.1 As an asset class, property is conducive to debt financing. The permanent nature of the physical asset, as well as the long-term, escalating leases are ideal for long-term debt financing, especially where the debt costs can be fixed for extended periods. Through such prudent financing, returns to investors can be significantly enhanced without incurring unnecessary risk.
 - 3.1.2.2 The Registrar has agreed to allow South African CISIPs to increase their level of gearing to up to a maximum of 60% of the fair market value of the underlying assets in the CISIP, provided that the PI holders of the relevant portfolios of the CISIP consent to such increase.
 - 3.1.2.3 An increased gearing ability will benefit PI Holders in that the Manager will have greater flexibility to ensure that the Fund can obtain increased levels of funding to take advantage of opportunities as and when they arise, which will assist in increasing the return on investments to PI Holders. The increase from 30% to 60% will therefore provide greater flexibility to the Manager in raising finance, improve the potential growth in distributions and yet still keep the Fund's gearing within prudent limits.
- 3.1.3 PI Holders are advised that the long-term strategy of the Board will be to generally maintain the borrowing limits at a level below 40% of the underlying value of the assets of the Fund and to only exceed this level in exceptional circumstances (which may arise from specific transactional activity) and which are deemed by the Board to be particularly attractive, and that certain of the funding for which can in due course be raised by issuing additional units.

- 3.1.4 The interests of the PI Holders will continue to be protected in that the Trustee will still be required to approve all borrowings in terms of the Deed. Both the Trustee and the Manager will furthermore remain obliged, at all times, to act in the best interests of the PI Holders.

3.2 Proposed amendment

3.2.1 Current position

- 3.2.1.1 Clauses 21.1.7.2, 21.2.1.3 and 21.3 of the Deed currently restricts the Fund to borrowing up to 30% of the value of the underlying assets comprising the Fund. In a letter dated, 16 July 2007, addressed to the chairman of the Association, the Registrar confirmed that portfolios of Collective Investment Schemes in Property may increase their borrowing capacity to 60% of the value of the underlying assets comprising the portfolio, provided that the investors in the relevant portfolio are notified of such increase, that the investors agree to such amendment and the relevant deed is amended accordingly.

3.2.2 Proposed amendments

- 3.2.2.1 The Manager and the Trustee hereby delete the existing clause 21.1.7.2 of the Deed and substitute it with the following clause:

Objects and Powers (Clause 21 of the Deed)

"21.1.7.2 the maximum amount of the aggregate indebtedness of all fixed property companies, alternatively, the aggregate indebtedness incurred in connection with immovable properties included directly in the portfolio in respect of loans contracted in accordance with the provisions of this clause 21 shall not at any time exceed an amount equal to 60% (sixty percent) of the value of the underlying assets comprising the portfolio, determined on the last published valuation for such portfolio in the most recent audited financial statements of the portfolio adjusted for any subsequent changes in the value of such asset portfolio in accordance with generally accepted accounting principles and taking into account the value of any property to be acquired utilising a loan. However, in respect of any additional portfolio established in terms of the scheme, the amount of such borrowings shall be restricted to 60% (sixty percent) of the aggregate value of the underlying assets comprising such portfolio as at the date of approval thereof by the Registrar and confirmed by the trustee until the first published valuation of the underlying assets comprising such portfolio in the audited financial statements of such portfolio, adjusted for any subsequent changes in the value of such assets in accordance with generally accepted accounting principles and taking into account the value of any property to be acquired utilising the loan;"

- 3.2.2.2 The Manager and the Trustee hereby delete the existing clause 21.2.1.3 of the Deed and substitute it with the following:

"21.2.1.3 the amount by which the aggregate indebtedness in clause 21.1.7.2 would exceed the 60% (sixty percent) maximum referred to in that clause if such immovable property were not to be taken into account in determining the aggregate value of the underlying assets."

- 3.2.2.3 The Manager and the Trustee hereby replace the existing clause 21.3 of the Deed with the following:

"21.3 In the event that, for any reason whatsoever, the sale of the immovable property does not become final and unconditional, the loan procured in terms of this clause 21 shall immediately be cancelled to the extent that the amount of such loan causes the aggregate indebtedness of the fixed property companies concerned, alternatively, the aggregate indebtedness incurred in connection with immovable property included directly in the portfolio, to exceed the 60% (sixty percent) maximum referred to in clause 21.1.7.2 if such immovable property were not to be taken into account in determining the aggregate value of the underlying assets. Any powers or competencies conferred upon a fixed property company in terms of this deed, including but not limited to those contained in clause 21, shall, insofar as it is applicable, be construed as conferring the same competencies and powers upon a trust".

3.3 Conditions precedent

- 3.3.1 The change in the borrowing limits of the Scheme and the Fund are conditional on the approvals of PI Holders holding a majority of the total number of PI units in issue, excluding the Manager, who participate in the ballot process.

4. **IMPLEMENTATION DATE OF THE PROPOSED AMENDMENTS**

- 4.1 Subject to the consent of PI Holders holding a majority in value of the total number of PIs held by all PI Holders (excluding the PIs held by the Manager and the PIs held by the Related Parties to the Manager in respect of Amendment 1, and excluding the PIs held by the Manager in respect of Amendment 2) who reply to the ballot, in which ballot the replies of PI Holders (excluding the PIs held by the Manager and the PIs held by the Related Parties to the Manager in respect of Amendment 1, and excluding the PIs held by the Manager in respect of Amendment 2) holding not less than 25% of the total number of PIs in issue have been received in writing, the Proposed Amendments to the Deed will be implemented by way of the adoption of the Supplemental Deed, by no later than 30 May 2014 following the Registrar's final approval thereof.
- 4.2 MPS, the majority shareholder holding 95% of the shares in the Manager, is in favour of the Proposed Transaction (and has signed a Termination and Sale Agreement and Relationship Agreement), but has agreed in respect of Amendment 1, to the extent that it and any Related Parties are also PI Holders, that their votes shall not be included in respect of the ballot for Amendment 1.

5. **TERMS OF THE PROPOSED AMENDMENTS**

The wording of the Proposed Amendments and a reference to the clause of the Deed which it seeks to amend appear in the Supplemental Deed, are available for inspection during normal business hours at the registered office of the Manager, South Wing, First Floor, Block A, The Forum North Bank Lane Century City, 7441 from 7 February 2014 to 24 March 2014.

6. **BALLOT**

- 6.1 Enclosed is a ballot form for completion by PI Holders who are certified PI Holders or who have dematerialised their PIs with "own name" registration. Such PI Holders should complete, sign and return the ballot form in the enclosed postage paid, self-addressed envelope to reach the Auditors by not later than the Closing Date.
- 6.2 The ballot form is also for use by the CSDPs of PI Holders who have dematerialised their PIs and whose PI holding is not recorded in their own name in the sub-register maintained by their CSDPs. Such PI Holders should advise their CSDP or broker as to what action they wish such CSDP or broker to take on their behalf in the manner agreed between such PI Holder and his CSDP or broker and such CSDP or broker must complete the ballot form for each PI Holder individually.
- 6.3 The Auditors shall count the ballot papers received by 17:00 on the Closing Date and determine the outcome of the ballot based on the number of votes in favour of and against the Proposed Amendments and excluding the number of votes of the Manager in respect of Amendment 1 and Amendment 2, and the Related Parties in respect of Amendment 1, and disregarding the number of spoiled votes. The results will be conveyed in writing to the Manager and the Registrar as soon as reasonably possible thereafter. Once the Registrar has satisfied himself as to the outcome of the ballot, publication of the results will be released on SENS and published in the press. This is anticipated to be during the week commencing 31 March 2014. The report of the Auditors shall be final and binding on all parties concerned, subject to the Registrar's approval thereto.

7. **RECOMMENDATION**

The Manager (including the independent directors of the Board) recommends that PI Holders vote in favour of the Proposed Amendments. As regards to the Proposed Transaction, Grant Thornton, in its capacity as independent adviser to the Board, has confirmed that in its opinion, the terms and conditions of the Proposed Transaction are fair and reasonable to PI Holders (see paragraph 2.8 above). The Trustee and the Registrar have vetted this document and a draft of the Supplemental Deed and have no objection thereto.

By order of the Board

Terence Rory Mackey

Managing Director

SA Corporate Real Estate Fund

FAIRNESS OPINION



The Board of directors
SA Corporate Real Estate Fund
5th Floor
Mutual Park
Pinelands
7405

2 October 2013

Dear Sirs

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Opinion on the fairness of the internalisation of the business of SA Corporate Real Estate Fund Managers Limited (“SA Corporate Manco” or “the Manager”) by SA Corporate Real Estate Fund (“SA Corporate” or “the Fund”)

Introduction

It is the intention of SA Corporate to execute the internalisation of the asset management business relating to SA Corporate’s property portfolio (“SA Corporate Manco business”) (“the Transaction”). This will be achieved by the amendment of the deed entered into by the Manager and the first trustee in terms of which the Fund was established (“the Deed”). The amendments will have the effect of internalising the Manco business by amending the existing service charge arrangement such that the fees payable to Manco will be linked to the costs of services rendered with no margin.

The Transaction is intended to be a first step along the road to converting the Fund from a collective investment scheme in property, which is regulated by the Registrar of Collective Investment Schemes (“the Registrar”) and the Trustee, into a company (“Company”) Real Estate Investment Trust (“REIT”). The SA REIT Association, of which the Manager and the Fund are members, has engaged the Registrar to formulate a framework within which such conversion can be effected as cost effectively as possible.

As consideration for the amendment to the Deed, a gross settlement fee of R185 million will be paid by SA Corporate to SA Corporate Manco. It is envisaged that subsequent to the conversion of SA Corporate into a REIT there would be no requirement to maintain the Manager’s regulatory capital at current levels and the current regulatory capital balance of R6.6 million would be distributed to unitholders. This would effectively reduce the settlement fee to a net amount of R178.4 million (“the Consideration”).

Scope

SA Corporate Manco is a related party in respect of SA Corporate, in terms of section 10.1(b)(v) of the Listings Requirements of the JSE Limited and to this end, have requested Grant Thornton, as independent expert, to furnish an opinion on the fairness of the terms of the Transaction insofar as SA Corporate unitholders are concerned.

It should be noted that each individual unitholder’s decisions may be influenced by such unitholder’s particular circumstances and, accordingly, that a unitholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Transaction.

Meaning of fair and reasonable

Fairness is primarily based on quantitative issues and reasonableness on qualitative issues. For illustrative purposes, in the case of the internalisation of the business of SA Corporate Manco, the Transaction may be said to be fair to SA Corporate unitholders if the Consideration payable is equal to or less than the present value of the future savings which will be achieved as a result of the internalisation.

In other instances, even though the Consideration may be more than the fair market value of the business acquired, the Transaction may be said to be reasonable after considering other significant qualitative factors including the potential benefits to SA Corporate of having an internalised management team in terms of mitigation of potential conflicts of interest and the market's preference for property funds that are internally managed.

Sources of information

During the course of our analysis, we relied upon financial and other information, obtained from SA Corporate's management. Our conclusion is dependent on such information being accurate in all material respects.

The principal sources of information used in formulating our opinion regarding the fairness of the Transaction include:

- The audited annual financial statements of SA Corporate for the three years ended 31 December 2010 to 2012.
- The unaudited management accounts of SA Corporate for the five months ended 31 May 2013.
- Management accounts of SA Corporate Manco for the three years ended 31 December 2010 to 2012 and for the year to date period being 1 January 2013 to 31 May 2013.
- Cash flow forecasts of SA Corporate Manco for the financial years ending 31 December 2013 to 31 December 2017 as prepared by management.
- The Deed entered into by the Manager and the first trustee in terms of which the Fund was established.
- The Existing Service Charge Agreement concluded between SA Corporate and SA Corporate Manco.
- Discussions with management of SA Corporate and Investec Limited, the transaction advisers to SA Corporate.
- The management representation letter provided to us in respect of this fairness opinion.
- Circulars relating to transactions in terms of which management companies have been acquired by listed property companies in recent years.
- Pre-listing statements of property companies that have listed on the JSE in the past three years.
- Other publicly available information with regards to SA Corporate.

Where practical, we have corroborated the reasonability of the information provided to us for the purposes of our opinion, whether in writing or obtained in discussion with management of SA Corporate.

Whilst our work has involved an analysis of the financial information, as provided to us, our engagement does not constitute, nor does it include an audit or review in accordance with International Standards on Auditing. We have not and we do not assume responsibility or liability for such information. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

Procedures

In our evaluation of the fairness of the Transaction, we have performed, *inter alia*, the following procedures:

- reviewed the terms and conditions as contained in the Service Charge Agreement proposed in terms of the Transaction;
- reviewed the terms and conditions of the existing Asset Management Agreement and Financial Services Agreement concluded between SA Corporate and Old Mutual; considered the rationale for the Transaction as represented by the management of SA Corporate;
- considered the process followed by SA Corporate management in securing the Transaction;
- reviewed the historical financial information and forecast financial information as detailed above;
- obtained an understanding of the basis on which the forecast was prepared, checked the accuracy of the forecast model and considered the reasonableness of the key assumptions on which the forecast is based;
- held discussions with management regarding the budgets and financial forecasts of SA Corporate Manco, and considered the assumptions on which they are based;

- performed a discounted cash flow valuation of the economic effects of the Transaction by discounting the future cash savings which are expected to result from the Transaction to a present value, which was compared to the Transaction Consideration. The key value drivers in our discounted cash flow analysis included:
 - forecast price growth and inflation;
 - forecast operating margins of SA Corporate Manco market interest rates;
 - SA Corporate Manco's weighted average cost of capital which was calculated as 13.67%;
- on the basis of our discounted cash flow analysis we consider the present value of the future savings to have a core value of R194.7 million. We performed sensitivity analysis in terms of which adjustments were made to the forecast growth rate and the discount rate and on this basis, a fair value range of R183.1 million to R207.8 million was established;
- compared the Enterprise Value/EBITDA multiple implied by the Transaction Consideration to the multiples observed in recent acquisitions of property management companies;
- considered market norms applied in the pricing of property management companies which are taken over by funds for which management services are provided as detailed in the pre-listing statements of various recently listed property funds;
- considered recent offers made for the business of SA Corporate Manco; and
- considered the potential benefits to SA Corporate of having an internalised management team in terms of mitigation of potential conflicts of interest and the market's preference for property funds that are internally managed.

Opinion

Based on the information considered, we are of the opinion that the terms of the Transaction are fair as far as SA Corporate unitholders are concerned. Further, the Transaction is also reasonable.

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by SA Corporate management up to and including 2 October 2013. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or reaffirm.

Limiting conditions

This letter and opinion is provided for the benefit of the Board in connection with and for the purpose of their assessment of the fairness of the Transaction. It does not constitute a recommendation to the Board as to how to vote on matters relating thereto and it should not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and our opinion are used or relied upon for anything other than its intended purpose.

Independence

In terms of Schedule 5 of the Listings Requirements, we confirm that Grant Thornton has no direct interest in the shares in SA Corporate and has provided no services to SA Corporate during the past 24 months.

In addition, Grant Thornton has no interest in the Transaction or the success or failure thereof. Accordingly, we believe we are independent of SA Corporate and are therefore able to provide this fairness opinion.

Yours faithfully



David Paropoulos

Director

FUND BALLOT FORM



**SA CORPORATE REAL ESTATE
FUND**
("the Fund")

A portfolio forming part of SA Corporate Real Estate Trust Scheme ("the Scheme"), a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, 45 of 2002, and managed by:



**SA CORPORATE REAL ESTATE
FUND MANAGERS LIMITED**
(Registration number 1994/009895/06)
("the Manager")

Please return this ballot in the enclosed postage paid, self-addressed envelope to be received by Deloitte by 17:00 on 24 March 2014.

I/We

(Please print full names)

of

(Please print address)

Vote as follows (see notes 1 to 9 overleaf):

	Number of votes PI Holder is entitled to exercise	Number of votes for	Number of votes against
Proposed Amendment number 1 (Removal of the Initial Charge and amendment of the Existing Service Charge Arrangement in respect of the Fund)			
Proposed Amendment number 2 (Amendment of the existing borrowing powers of the Fund from 30% to 60%)			

(Insert number of votes in the blocks provided)

Signed at _____ on _____ 2014

Signature

Capacity (see note 5 below)

Assisted by me
(where applicable)

Please read the notes overleaf.

Notes:

1. Every PI Holder shall have one vote for every PI held in the Fund by such PI Holder.
2. A PI Holder's instructions to the Manager in respect of the ballot must be indicated by inserting the number of votes the PI Holder is entitled to exercise and the number of votes cast for and/or against each of the Proposed Amendments in the relevant box(es) provided above.
3. Where a PI Holder is holding PIs as a nominee or person duly appointed to act on behalf of the beneficial owner of the PIs, the PI Holder must obtain written instructions from such beneficial owners as to how to respond to the Proposed Amendments. If some of the beneficial owners are in favour of any particular Proposed Amendment and others are against it, the PI Holder must respond by indicating the number of votes for and against the Proposed Amendment in the relevant box(es) provided above.
4. PI Holders who have dematerialised their PIs without "own name" registration, should take note of the following:
 - a. if your CSDP or broker has not contacted you, you should contact your CSDP or broker and furnish them, by the date stipulated in the custody agreement entered into between you and your CSDP or broker, with your voting instructions as to how you wish to cast your vote required in respect of the ballot;
 - b. if your CSDP or broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker; and
 - c. you must **not** complete the ballot form and your CSDP or broker **must** complete the ballot form for your vote specifically.
5. If you are signing this ballot in a representative capacity, please insert your own name and the name of the person, trust, deceased estate, company, close corporation or institution on whose behalf you are signing, including the number of votes that person, trust, deceased estate, company, close corporation or institution is entitled to, as well as the number of votes for or against the Proposed Amendments. Please note that the ballot forms must be completed individually for each person, trust, deceased estate, company, close corporation or institution on whose behalf you are signing.
6. Documentary evidence establishing the authority of a person signing this ballot in a representative or other legal capacity must be attached to this ballot. For example, where this ballot is submitted on behalf of a company, pension fund or other institution, it must be supported by a resolution of its board of directors, trustees or other governing body. By way of further example, where this ballot is submitted on behalf of a natural person, a power of attorney indicating the authority of the party completing the ballot on behalf of such natural person must be attached to the ballot.
7. Any alteration or correction made to this ballot must be initialled by the signatory/ies.
8. Ballots must be posted in the enclosed postage paid, self-addressed envelope to Deloitte at PO Box 578, Cape Town, 8000 to reach Deloitte by not later than 24 March 2014.
9. Where there are joint PI Holders:
 - a. any one holder may sign the ballot; and
 - a. the vote of the senior holder who tenders a vote by ballot will be accepted to the exclusion of the vote(s) of the other joint PI Holders and, for the purpose of the ballot, seniority will be given to the PI Holder whose name stands first in the Fund's register.