IOF

INVESTA OFFICE FUND

Half Year Results

31 December 2011

Letter from the Fund Manager

19 March 2012

Half year in review

Dear Unitholder,

I am pleased to be given the opportunity to be the new Fund Manager for Investa Office Fund (IOF) and look forward to working with the Board, and my colleagues at Investa Property Group to deliver the best possible returns for unitholders.

IOF delivered a number of key outcomes since last reporting to you, including:

> Significant leasing activity with 19.5% of the Australian portfolio re-leased, at an average rental increase of 7.5% and high tenant retention of 90% achieved;

> Australian portfolio value increased 3.4% following the completion of independent valuations of 52% of the Australian portfolio;

> Strong progress on offshore sales following the sale of the entire US Portfolio and the Paris asset, at an overall 9.7% premium to book value; and

> The completion of a 10% on-market buyback in four months at an average price of $0.608, which was a significant discount to the NTA per unit.

IOF is committed to executing the Fund's stated strategy of being the pre-eminent Australian CBD office fund by repositioning the portfolio to focus on high quality core assets in prime CBD locations. As a result, IOF announced a proposal for the acquisition of:

> Up to a 50% interest in the iconic "Deutsche Bank Place" at 126 Phillip Street, Sydney, one of the premier CBD office properties in Australia; and

> A 50% interest in 242 Exhibition Street, Melbourne, an A-grade CBD office property that serves as the Telstra Global Headquarters

from members of Investa Property Group, subject to unitholder approval.

This opportunity will enhance the risk adjusted returns for the Fund by:

> Significantly improving the overall quality of the Australian portfolio, being earnings accretive; and

> Providing an efficient redeployment of capital following the offshore asset sales.

The Unitholder meeting for the consideration and vote on the proposal will be held at 10.00am (Sydney time) on Tuesday 27 March 2012 in the Blaxland Room at the Swissotel, 68 Market Street, Sydney NSW.

In terms of outlook, FY2012 earnings are forecast to be favourably impacted by the effect of the buyback, offset by loss of earnings from offshore asset sales. Future earnings are dependent on the outcome of the proposed acquisitions. Forecast distributions per unit for FY2012 are expected to remain in line with the prior year at 3.9 cents per unit.

On behalf of the IOF team, thank you for your continued support of IOF.

Toby Phelps
Fund Manager, Investa Office Fund

Toby Phelps
Fund Manager,
Investa Office Fund (IOF)

Toby Phelps is the Fund Manager of IOF and is responsible for actively driving the long-term strategy and performance of the Fund.

Toby was most recently Head of Real Estate at Barclays Capital in Australia, and before this was Managing Director of both GreenOak Real Estate and Tishman Speyer Properties in the UK. Prior to this Toby was a Managing Director and Head of UK Investing with Europe-wide responsibilities at Morgan Stanley Real Estate.

Toby has extensive experience in global real estate investing, asset management, capital raising and corporate finance, and is an accomplished leader of successful investment management teams.

Results at a glance

Investa's strategic objective is to reposition IOF as Australia's pre-eminent CBD office Fund with a diverse portfolio of high performing investment grade office properties in prime CBD locations.

Key achievements for the six months

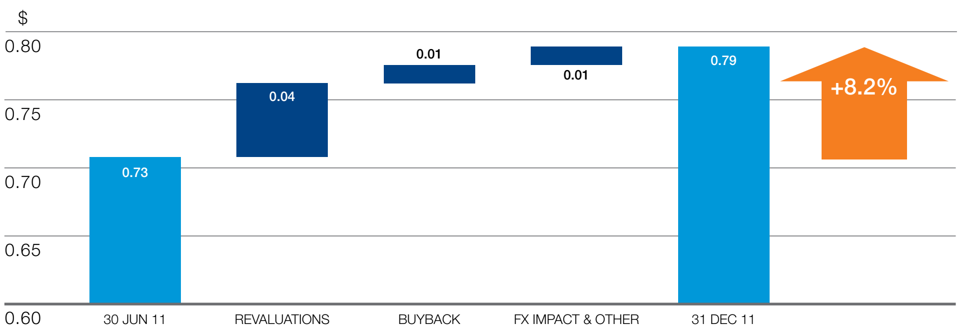
Financial	> Distributions of $1.95c in line with guidance > Earnings impacted by declining income from offshore assets and the inclusion of leasing fee amortisation within operating income > Material increase in NTA per unit of 8.2% > Gearing of 24.5% at low end of targeted range
Australian portfolio	> Significant leasing activity completed with over 70,000sqm re-leased > Face rents on renewals increased by 7.5% on average > Occupancy increased to 97% > Weighted average lease expiry increased to 5.3 years > Significant progress on major lease expiries including MLC (26,709sqm) and QBE (10,012sqm)
Strategy	> Ongoing execution of strategic initiatives > Significant progress with offshore asset sales > Further repositioning with proposed acquisitions

Financial performance

The Fund reported a net profit of $172.3 million up from $117.6 million in the prior corresponding period. Operating income of $63.3 million was largely impacted by a decline in US net property income, although these assets have subsequently been sold.

	31 Dec 2011	31 Dec 2010
Net profit (statutory)	$172.3m	$117.6m
Operating income	$63.3m	$71.7m
Operating income per unit	2.4¢	2.6¢
Distributions per unit	1.95¢	1.95¢
	31 Dec 2011	**30 June 2011**
Gearing (look through)[1]	24.5%	20.5%
Net tangible assets per unit (NTA)	$0.79	$0.73

Movement in NTA per unit



1. Based on debt to total assets, including share of associates' and DOF's assets and debt.

Fund performance highlights

We are pleased with the progress made towards our stated objectives, namely completion of the 10% unit buyback at a 17% discount to the prior period NTA per unit and execution of the offshore sales at an overall premium to book value.

Portfolio performance

Australian portfolio update

IOF's Australian portfolio saw a significant level of leasing activity with 19.5% re-leased during the six months. The management team have been able to leverage their strong relationships and knowledge of the office market to attract and retain quality tenants, and maintain high occupancy.

Key metrics for the Australian portfolio during the period were:

Occupancy	97%
Tenant retention	90%
Like-for-like net property income growth	+1.5%
Average face rental increase on renewals	7.5%
Weighted average lease expiry	5.3 years[1]
Portfolio book value	+3.4%

Offshore portfolio update

Significant progress has been made to date with the offshore sales, with four of the six investments sold since August last year. The Fund has divested all property assets in the US and one in Europe, at an overall premium of 9.7% to the 30 June 2011 book values, demonstrating the measured and timely approach adopted for offshore divestments.

Capital management

During the period, the Fund completed an on-market buyback of 10% of the units on issue at an average purchase price of $0.608, which was a 17% discount to the prior period NTA per unit.

The Fund's look through gearing at 31 December 2011 was 24.5%, with settlement of the offshore asset sales significantly reducing the gearing level to below the targeted range of 25% to 30%. Weighted average cost of debt is 4.8%, weighted average debt maturity is 2.8 years and interest cover ratio is 5.2 times.

8.2%
increase in NTA per unit

$0.79
NTA per unit

95%
Overall portfolio occupancy[2]

19.5%
of Australian portfolio released during period

1. Includes leasing completed post balance sheet date.
2. Includes existing offshore assets of DOF and Bastion Tower.

Delivering on strategy

Since assuming management of IOF in April 2011, Investa has been committed to progressively implementing a range of initiatives designed to create value for unitholders. We expect to be judged on our performance and believe that consistently delivering on our objectives should be a key measure of our progress.

Outlook

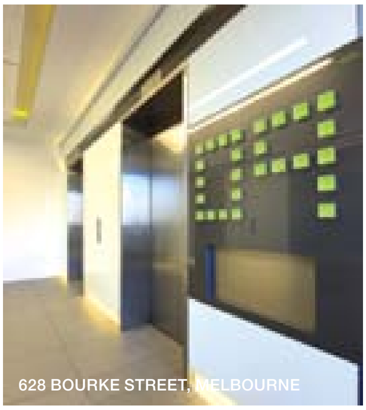
The Fund's overarching strategy is to be the pre-eminent Australian CBD office fund. The Fund's FY12 earnings are forecast to be favourably impacted by the effect of the buyback, offset by the loss of earnings from offshore asset sales. Future earnings are dependent on the re-investment of sale proceeds from the sale of offshore assets. Baseline FY12 EPU is expected to be 4.9 cents and DPU is to remain at 3.9 cents subject to prevailing market conditions.

Our approach

Initiative	Progress	Status
Align management fees	RE fee fixed at $8.6 million per annum until 30 June 2012, thereafter 0.55% per annum of IOF's total equity market capitalisation subject to cap and floor of 2.5% per quarter.	✓
Enhance corporate governance	New RE Board with independent Chairman and majority of independent Directors appointed July 2011 and ability granted to unitholders to ratify the appointment or renewal of independent Directors.	✓
Early refinance of syndicated debt facility	This refinancing was announced on 15 August 2011. The new facility of $552 million expires August 2014 and enabled IOF to undertake a buyback.	✓
Completed 10% unit buyback	Completed unit buyback in four months at an average purchase price of $0.608 which was a 17% discount to the 30 June 2011 NTA per unit.	✓
Executed offshore asset sales	Offshore asset sales well progressed, completed sale of US portfolio and Paris asset at overall premium to book value.	Partially completed
Refocus portfolio on high quality assets in Australia	Proposed acquisition of interests in 126 Phillip Street, Sydney and 242 Exhibition Street, Melbourne.	Refer to Notice of Meeting and Explanatory Memorandum
Unit consolidation and sale facility	On track and planned for Q2 2012.	To be completed


347 KENT STREET, SYDNEY


111 PACIFIC HIGHWAY, NORTH SYDNEY


628 BOURKE STREET, MELBOURNE


140 CREEK STREET, BRISBANE

Proposed acquisitions

Notice of Unitholder meeting

TIME	10.00am
DATE	Tuesday 27 March 2012
PLACE	Blaxland Room Swissotel Level 8, 68 Market St Sydney NSW 2000

On Tuesday 27th March 2012 a Unitholders' Meeting of IOF will be held to consider the acquisition from Investa Property Group of;

> **Up to a 50% interest in the iconic Deutsche Bank Place, 126 Phillip Street, Sydney, one of the premier CBD office properties in Australia and;**

> **A 50% interest in 242 Exhibition Street, Melbourne, an A-Grade CBD office property that serves as the Telstra Global Headquarters.**

The proposed acquisition of these high quality properties is a unique opportunity for IOF and will represent a significant step in the repositioning of the Fund, providing a strong base to further pursue the repositioning strategy. The acquisitions will not only improve the quality of the IOF Australian investment portfolio, they will also increase the Fund's weighting to the key Sydney CBD and Melbourne CBD office markets, further diversify and secure the Fund's revenue streams and importantly will be earnings accretive, thereby improving the risk adjusted returns of the Fund.

Full details on these two properties and the rationale for the proposed acquisitions is outlined in detail in the Notice of Meeting and Explanatory Memorandum issued to Unitholders on 28 February 2012.

Deutsche Bank Place Sydney

- Iconic, premium grade office building
- Located in core financial precinct with panoramic harbour views from upper floors
- One of the most energy efficient buildings in Australia
- External services side core providing column free floor plates
- Lease expiry/review profile timed to attractive point in the cycle (2015)

Telstra Global Headquarters Melbourne

- Newly refurbished A-grade asset
- Located in Melbourne CBD's sought after North East precinct
- Long WALE to high credit tenant
- Significant discount to replacement cost
- Recent capital investment of $90m+

Advantages of the proposed acquisitions

A unique opportunity	> Prime assets very tightly held > Deutsche Bank Place one of Australia's best office assets > Very few times in the cycle when prime assets are earnings accretive > Materially enhances quality of the Australian portfolio
Efficient re-deployment of capital	> Minimal time between receipt of offshore sale proceeds and reinvestment
Earnings accretive	> Forecast FY13 EPU increase of 0.15c to 0.29c
Higher risk adjusted returns	> High quality assets, attractive lease profiles, strong tenants and earnings accretive
Increased weightings to target CBD markets	> Exposure to Melbourne increased from 12% to 19% > Maintain exposure to Sydney CBD
High quality tenants	> Adds Deutsche Bank, Telstra and Allens Arthur Robinson
Reduced vacancy	> Overall vacancy reduced from 4.7% to between 4.1% and 3.9%
Minimal capital expenditure	> Deutsche Bank Place built in 2005 and a premium grade asset > 242 Exhibition Street recently subject to $90m+ upgrade
Fair price	> Transaction recommended by Independent Directors and confirmed fair and reasonable by an Independent Expert
Responsible entity fee	> Fee linked to market capitalisation so no direct increase in RE fee

For any questions
Please contact us

Should you have any questions regarding the Fund, or this Half Year Review please call Investor Relations on 1300 130 231 or email: **investorrelations@investa.com.au**

If you have any questions about your unitholding, distribution statements or any change of details, you may call the Unitholder information line on 1300 851 394 (within Australia) or +61 2 8280 7912 (outside Australia).

More information about the Fund can be accessed and downloaded at **investa.com.au/IOF**

> **investa.com.au**

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