

## CREDIT RATING ANNOUNCEMENT

### GCR affirms the Ratings of the Senior Secured Notes issued by Accelerate Property Fund

Johannesburg, 4 August 2016 -- Global Credit Ratings ('GCR') has affirmed the *final, public* long term credit ratings of 'AA-(ZA)' with a 'Stable' outlook to the Senior Secured Notes (stock codes APF01, APF02 and APF03) issued by Accelerate Property Fund Limited ('APF or Accelerate') under its R5bn DMTN Programme.

- R264m Senior Secured Notes, stock code APF01, coupon 3M JIBAR + 1.70%, due 26 September 2017;
- R285m Senior Secured Notes, stock code APF02, coupon 3M JIBAR + 2.30%, due 26 September 2019;
- R452m Senior Secured Notes, stock code APF03, coupon 3M JIBAR + 1.75%, due 7 August 2018.

APF01 and APF02 Senior Secured Notes were issued on 26 September 2014 and 28 October 2014 respectively, whilst APF03 Senior Secured Notes were issued on 7 August 2015. The Senior Secured Notes were issued under Accelerate's R5bn DMTN Program (the 'Programme').

The *final, public* ratings accorded to the Senior Secured Notes relate to the ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity).

### SUMMARY RATING RATIONALE

Accelerate is a mid-sized Real Estate Investment Trust ('REIT'), having listed on the JSE on 12 December 2013. As at 31 March 2016, APF comprised of 61 properties with an aggregate value of R8.4bn. The fund's focus is to maintain a strong retail bias and currently 60% of the fund's aggregate GLA is made up of retail properties. The remainder of the fund's GLA is split between office (23%) and industrial (17%), with around 57% of the fund's revenue coming from large national tenants.

The Senior Secured Notes together with the Permitted Term Facilities and Permitted Hedging Facilities are currently secured against 49 properties of the Issuer. The Senior Secured Noteholders, the Permitted Term Facility Providers and the Permitted Hedging Facility Counterparty (collectively the 'Secured Lenders') will share pro rata in the underlying security (being the first ranking mortgages in favour of the Security SPV over the Secured Properties and a cession of all the Issuer's lease agreements and insurance policies relating to the Secured Properties)

The ratings of the Senior Secured Notes was derived by applying a notching up approach, starting from the long term senior unsecured corporate credit rating of the Issuer. Based on the fundamentals and prospects of APF, GCR accorded APF credit ratings of 'BBB+(ZA)/A2(ZA)', affirmed in February 2016, on the long and short term respectively, with a 'Stable' outlook. With regards to the Senior Secured Notes, a rating uplift of 4 national scale notches was deemed to still be appropriate for this particular Transaction, given the '*Superior Recovery Prospects*' of the Senior Secured Notes. GCR has thus affirmed the *public* ratings of 'AA-(ZA)' accorded to the Senior Secured Notes with a 'Stable' outlook.

For more information on the Transaction and rating affirmation of the Senior Secured Notes, please refer to the "Accelerate Property Fund – Senior Secured Notes Surveillance Report, to be published on 4 August 2016. The Surveillance Report will be available to subscribers of GCR's structured finance subscription service. GCR analysed the Transaction by applying its Criteria for Rating Property Funds (May'16); Criteria for Rating Corporate Entities (Feb'16); Global Structurally Enhanced Corporate Bonds Rating Criteria (Oct'15); with reference to Accelerate Property Fund Ltd Corporate Rating Report (Feb'16) and Accelerate Property Fund Ltd Senior Secured Notes New-Issuance Report (Sep'14) and subsequent Tap Issuance Reports (Oct'14 and Aug'15). The criteria reports are available for download on the GCR website.

### NATIONAL SCALE RATINGS HISTORY

Stock Code	Initial Rating	Long Term Rating	Short Term Rating	Outlook
APF01	26 Sept'14	AA-(ZA)	N.a.	Stable
APF02	28 Oct'14	AA-(ZA)	N.a.	Stable
APF03	7 Aug'15	AA-(ZA)	N.a.	Stable

Stock Code	Last Rating	Long Term Rating	Short Term Rating	Outlook
APF01	7 Aug'15	AA-(ZA)	N.a.	Stable
APF02	7 Aug'15	AA-(ZA)	N.a.	Stable
APF03	7 Aug'15	AA-(ZA)	N.a.	Stable

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### APPLICABLE METHODOLOGIES AND RELATED RESEARCH

- Global Structurally Enhanced Corporate Bonds Rating Criteria (Oct'15);
- Criteria for Rating Property Funds (May'16);
- Criteria for Rating Corporate Entities (Feb'16);
- Accelerate Property Fund Ltd Corporate Rating Report (Feb'16)
- Accelerate Property Fund Ltd Senior Secured Notes – New Issuance Report (Sep'14);
- Accelerate Property Fund Senior Secured Notes – Tap Issuance Reports (Oct'14 and Aug'15);

### RATING LIMITATIONS AND DISCLAIMERS

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**GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY**

Ageing	The age of an asset or obligation.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
arranger	Usually an Investment bank that advises and constructs a transaction and acts as a conduit between the transaction parties: Client, Issuer, Credit Rating Agency, Investors, Legal Counsel and Servicers.
Asset	An item with economic value that an entity owns or controls.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Claim	A formal request or demand.
Conduit	A commercial lending entity that is established to purchase assets to securitise.
Corporate Credit Rating	A credit rating accorded to a corporate entity.
Coupon	Interest payment on a security.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Rating Agency	An entity that provides credit rating services.
Credit Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Creditworthiness	An assessment of a debtor's ability to meet debt obligations.
Debt	An obligation to repay a sum of money.
Debtor	The party indebted or the person making repayments for its borrowings.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Enforceable	To make sure people do what is required by a law or rule et cetera.
Hedging	A financial risk management process or function to take a market position to protect against an eventuality. Taking an offsetting position in addition to an existing position. The correlation between the existing and offsetting position is negative.
Income	Money received, especially on a regular basis, for work or through investments.
Insurance	Provides protection against a possible eventuality.
Issuer	The party indebted or the person making repayments for its borrowings.
JIBAR	Johannesburg Interbank Agreed Rate. A reference rate.
JSE	Johannesburg Stock Exchange Limited, a licenced exchange under the Securities Services Act of 2004 (South Africa).
Lease	Agreement or temporary use and enjoyment of a corporeal thing (movable or immovable property) the whole or part thereof for rent. The essential elements of a contract of lease are: 1.) Undertaking of lessor to give the lessee the use and enjoyment of something; 2.) Agreement between the lessor and lessee that the lessee's right to use and enjoyment is temporary; and 3.) Lessee's undertaking to pay a sum or rent.
Lender	A credit provider that is owed debt obligations by a debtor.
Lessee	The party that enjoys temporary use of a corporeal thing.
Lessor	The owner or agent that acts on behalf of the owner of property that grants the temporary use of a corporeal thing.
Liability	All financial claims, debts or potential losses incurred by an individual or an organisation.
Lien	A right of retention of someone else's property due to expensed money or labour on property acquires a lien until payment is made. A lien outranks all other forms of security claims. A lien arises by operation of law and not as agreement between parties. There are three types of liens: 1.) Storage

	or salvation of property; 2.) Improvement of property; and 3.) Contractual debt.
Liquidity	The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.
Liquidity Risk	The risk that a company may not be able to meet its financial obligations or other operational cash requirements due to an inability to timeously realise cash from its assets. Regarding securities, the risk that a financial instrument cannot be traded at its market price due to the size, structure or efficiency of the market.
Long Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Loss	A tangible or intangible, financial or non-financial loss of economic value.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
National Scale Rating	The national scale provides a relative measure of creditworthiness for rated entities only within the country concerned. Under this rating scale, a 'AAA' long term national scale rating will typically be assigned to the lowest relative risk within that country, which in most cases will be the sovereign state.
Notching	A movement in ratings.
Noteholder	Investor of capital market securities.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Obligor	The party indebted or the person making repayments for its borrowings.
Offset	A right (Right of Offset) to set liabilities against assets in any dispute over claims.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Property	Movable or immovable asset.
Provision	An amount set aside for expected losses to be incurred by a creditor.
Ranking	A priority applied to obligations in order of seniority.
Real Estate	Property that consists of land and / or buildings.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Redemption	The repurchase of a bond at maturity by the issuer.
Reference Rate	A rate that is the basis of the calculation such as JIBAR.
Release	An agreement between the creditor and debtor, in terms of which the creditor release the debtor from its obligations.
Rent	Payment from a lessee to the lessor for the temporary use of an asset.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Securities	Various instruments used in the capital market to raise funds.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Security SPV	A Special Purpose Vehicle that has been created to realise and hold the security of the performance of the obligations of the Issuer that sold its assets to the Security SPV.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
Servicing	The calculation of interest and repayments, collection of repayments, advancing of loans, foreclose procedures, maintaining records and seeing that the proceeds of each loan are passed on to the respective party.
Short Term Rating	A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. Normally insolvency remote and created to isolate financial risk.
SPV	An entity that is created to fulfil specific objectives. Normally insolvency remote and created to isolate



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	financial risk.
Stock Code	A unique code allocated to a publicly listed security.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trust Deed	A deed of conveyance creating and setting out the conditions of a trust.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Vacancy	In commercial property, usually expressed as a percentage of unoccupied floor space in relation to the GLA.
Valuation	An assessment of the property value, with the value being compared to similar properties in the area.

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The Issuer participated in the rating process via face-to-face meetings, teleconferences and other written correspondence. Furthermore, the quality of info received was considered adequate and has been independently verified where possible.

The credit rating/s has been disclosed to the Issuer with no contestation of the rating.

The information received from the Issuer and other reliable third parties to accord the credit ratings included:

- Latest property valuation certificates for the Secured Properties.
- Accelerate's Audited Financial Statements for the year ended 31 March 2016.
- Permitted Facilities breakdown including MTM information relating to the Permitted Hedging Facilities.
- Secured Properties portfolio breakdown per property including estimated annual income and expenses.
- Vacancy and debtors ageing information on the Secured Properties.
- Lease expiry profile relating to the Secured Properties.
- The findings of a site visit conducted by analysts from GCR's structured finance team.

The rating above was solicited by the Issuer of the Transaction; GCR has been compensated for the provision of the ratings.

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