

HALF YEAR REVIEW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

FUND OVERVIEW

360 Capital is an ASX-listed, property investment and funds management group concentrating on strategic investment and active investment management of property assets. The company invests in direct property assets, property securities and various corporate real estate acquisitions within Australian real estate markets on a private equity basis. The Group's 19 full time staff located in Sydney have significant property, funds and investment management experience. 360 Capital manages nine investment vehicles holding assets valued at approximately \$1.0 billion on behalf of almost 8,800 investors, has over \$90million worth of co-investments across the 360 Capital platform and owns two direct assets valued at more than \$40million.

MANAGING DIRECTOR'S LETTER

“Progress to date has been pleasing, with 360 Capital now fully integrated and the management team continuing to drive the Group forward. We will remain opportunistic and nimble in our approach in order to continue to take advantage of opportunities to generate above market returns for TGP Securityholders as well as the investors in our managed funds.”

Tony Pitt, Managing Director, 360 Capital Group

Dear Investor

In October 2013, the Group purchased 360 Capital Property Group in an off-market transaction. This strategic acquisition transformed the Group into a diversified real estate investment and funds management group.

At 31 December 2013 the Group's investment philosophy was focused on three key business areas:

- Funds management
- Co-investment in managed funds
- Direct asset investment.

Key achievements over the period

- 360 Capital Property Group and Lawson Loan acquisition in October 2013
 - raised \$70.8 million via institutional placement at \$0.59 per security (26.9% premium to TGP trading price)
 - merger of two groups completed and renamed 360 Capital Group
 - operations fully consolidated
 - \$1.03¹ billion FUM and direct asset platform set for growth
 - Lawson Loan acquired for \$22.6 million
- TGP transitioning to pure funds management and co-investor Group
 - settled EDI property sale in August 2013
 - contracts exchanged for disposal of Goulburn facility
 - Hurstville asset repositioning and re-leasing program presents opportunity to add significant value to Group before recycling this capital
- Continued to drive co-investment income with increased FY14 distributions from managed funds
- Continued management focus on sustainable long term growth for the Group and its managed funds

- FUM and direct assets increased from \$821.4 million at acquisition (October 13) to \$1.03¹ billion
- 360 Capital Office Fund proposed ASX listing progressing well
 - \$135.5 million in contracted new acquisitions
 - Joint Lead Managers and Underwriters appointed for \$155.0 million equity raising
- Acquisition of the responsible entity to the ASX-listed CVC Property Trust (ASX:CJT) continuing
 - provides further growth opportunities
 - fund strategic review underway
- **Group FY14 operating EPS estimated to be 6.40cps, 8.5% above previous guidance of 5.90cps**

Direct asset investments

During the period, the Group continued its strategy of divesting its direct real estate investments and redeploying the capital into higher return on equity activities.

In August 2013, the Group settled the disposal of EDI property at Granville for \$5.3 million, reducing Group debt with the net proceeds.

In December 2013 the Group entered into a conditional sale contract for \$4.3 million in relation to its Goulburn facility, an asset that has previously been difficult to sell. The purchaser is an owner occupier currently going through a development application for the property prior to contract settlement. To date, the development application process has progressed well with completion of the sale expected prior to June 2014.

Net proceeds from the sale will be used to further reduce Group debt and/or fund the refurbishment program for the Hurstville asset. The carrying value for the Goulburn asset was written down as at 31 December 2013 to take into account the net proceeds from this sale and reflected a decrease of \$0.5 million on the 30 June 2013 carrying value.

The Group's major remaining direct asset being the ATO building at Hurstville is now being repositioned following the ATO's decision to not exercise its option to extend its lease as part of a change of ATO strategy and a major reorganisation of its national accommodation requirements.

1 Funds under management (FUM) includes \$135.5m proposed office asset acquisitions, \$33.0m of CJT gross assets (30 June 2013) and the value of direct assets held for sale or repositioning (Goulburn Facility and ATO Hurstville) and excludes value of co-investments and fund loans.

The Group had been in negotiations with the ATO to enter into a new lease over all but two floors of the building and had started work to backfill the remaining two floors. However, in December 2013, the Group was notified that the ATO would vacate the whole building when its lease expires on 15 February 2015.

The Group's strategy of divesting directly owned real estate assets and recycling the capital into other activities has not changed as a result of the ATO's decision. However, the Group now has a significant value-add opportunity in re-leasing and repositioning this asset prior to its disposal. With the property's valuation now at its lowest level in the ownership cycle, this repositioning will provide Securityholders with significant returns, as outlined in the Hurstville Property Update on page 5.

Funds management

Although the Group had previously undertaken funds management operations, these operations were subscale and in windup mode prior to the 360 Capital Property Group acquisition.

HY14 financial results only included funds management activities for three months of the period as 360 Capital Property Group was acquired on 2 October 2013. The Group has elected to allocate most of the operating expenses of the Group to funds management, and as a result this division contributed minimally to Group net earnings during the period.

Management fee revenue for the three months was \$1.9 million. This was before one-off fees of \$2.0 million mainly from the recognition of previously impaired fees from the 360 Capital Developments Income Fund.

As at 31 December 2013, the Group had total FUM and direct assets of \$1.03¹ billion, including \$135.5 million for two office properties conditionally exchanged in December 2013 and \$33.0 million in total assets (as at 30 June 2013) of the CVC Property Fund (ASX: CJT) where the Group has entered into a contract to purchase CJT's responsible entity.

The 360 Capital Industrial Fund remains the Group's largest managed fund. With high demand for industrial assets resulting in industrial property yields firming to the point where acquisitions would be dilutive to existing Unitholders, the Industrial Fund did not purchase any further assets over the past six months.

In December 2013, the 360 Capital Office Fund conditionally purchased \$135.5 million of high quality office properties and is commencing a capital raising for \$155.0 million and listing the Office Fund on the ASX in March 2014. If the IPO is successful, the recurring management fee from the Fund to the Group will increase by 75%. The Office fund has a mandate to invest in A grade suburban assets and B grade CBD assets, a market characterised by depth and fewer competitors and as such the Office Fund is expected to be one of the main drivers of the Group's recurring management fee revenues. The Group will also benefit from realising \$2.2 million in accrued management fees in the 360 Capital Developments Income Fund at its scheduled wind up.

Post period end, the Group conditionally purchased the responsible entity to CJT, a small ASX-listed fund with approximately \$33.0 million in total assets (as at 30 June 2013). The Group is currently undertaking a strategic review of the fund, which will be communicated shortly. In addition to benefitting CJT unitholders, CJT's future strategy is expected to complement both the Group and its managed funds and will be designed to not conflict with the strategies of the Group's other managed funds or the business activities of the Group.

Recently, the Group appointed Leon Boyatzis as Head of Unlisted Funds to grow the unlisted funds and syndicates business, and expects to leverage Leon's 13 years' experience in real estate funds management, having previously managed over \$1.0 billion of unlisted property funds.

Currently the Group's five unlisted closed-ended funds, the Diversified Fund and the Developments Income Fund represent total funds under management of \$368.3 million. The Group is seeking to be one of the top five providers of unlisted property funds in Australia and as such intends to grow this business aggressively. Leon is charged with managing the existing unlisted funds and undertaking the growth path for this business.

Co-investments in managed funds

As at 31 December 2013, the Group had \$95.5 million in co-investments in, and loans to, its managed funds.

The equity co-investments comprised:

- \$26.8 million representing a 40.8% stake in 360 Capital 111 St George's Terrace Property Trust
- \$33.8 million representing a 58.9% stake in 360 Capital Diversified Property Fund
- \$1.8 million representing a 9.6% stake in 360 Capital Developments Income Fund
- The loan investments comprised:
 - \$28.8 million being the Lawson loan to the 360 Capital Developments Income Fund
 - \$4.3 million to the 360 Capital Diversified Property Fund.

In the three months from the date of the acquisition of 360 Capital Property Group to 31 December 2013, these co-investments generated \$2.5 million in Group operating profit, representing a 15.3% annualised return on capital invested.

The Group also benefited from a further \$4.8 million in statutory profits (considered one-off items) from the uplift in value of the Lawson Loan from its purchase price of \$22.6 million in November 2013 to 31 December holding value of \$28.8 million and \$1.8 million from recognising the value of the Group's 9.6% equity interest in the 360 Capital Developments Income Fund.

The Group's co-investment in the 360 Capital 111 St George's Terrace Property Trust performed well over HY14 with forecast FY14 distributions on track to be 18.5% higher than FY13.

The Group's investment in the 360 Capital Diversified Property Fund helped drive the Group's NTA up by 3.4% over HY14. It is expected that the 360 Capital Industrial Fund's (which

makes up approximately 50% of 360 Capital Diversified Property Fund's investments) recently announced earnings upgrades and unit buy-back will assist to grow Group earnings and NTA per Security.

Post 31 December 2013, the \$4.3 million loan to the 360 Capital Diversified Property Fund was reduced by \$2.3 million as a result of debt repayments.

With the proposed ASX listing of the 360 Capital Office Fund, the Group has committed to invest \$30.0 million in capital in line with its long-term co-investment strategy. This will be sourced from the repayment of the Lawson Loan and conversion of the Group's equity investment in the 360 Capital Developments Income Fund.

Outlook

The Group continues to focus on rolling out its business plan outlined during the October 2013 capital raising to become a pure funds management and co-investor group.

With the opportunity to add significant value to the Hurstville property over the coming 6-12 months, the capital recycling strategy in relation to this asset has been delayed. However, the Group remains well capitalised and will continue to maintain a "capital light" strategy, opting to grow earnings and distributions per Security in excess of its peers from a tight capital base.

This strategy is gaining traction with the Group now forecasting its FY14 operating EPS to be 6.40cps, up 8.5% from its previous forecast of 5.90cps.

FY14 distributions remain on track to be 5.0cps and are expected to be 40% to 50% tax deferred.

The Group's NTA is expected to increase mainly from the repositioning of the Hurstville property and from the increasing value of the co-investment stakes due to continuing firming of property yields as local and overseas investors continue to chase well-leased, income producing properties.

The Group's key focuses for the second half of FY14 are:

- List the 360 Capital Office Fund on the ASX and settle associated acquisitions
- Continue the Hurstville property's repositioning strategy and obtain a replacement tenant(s)
- Complete disposal of the Goulburn facility
- Offer new unlisted products to 360 Capital's 8,800-strong investor base and other investors
- Complete acquisition of CJT's responsible entity and finalise the strategic review
- Continue to undertake direct asset acquisitions in the managed funds and be prepared for other potential acquisition opportunities
- Continue to actively manage the property portfolio to maximise Group and fund investor returns.



Tony Pitt
Managing Director
360 Capital Group

HURSTVILLE PROPERTY UPDATE

The Group's major remaining direct asset at the ATO building at Hurstville is now being repositioned following the ATO's decision to not exercise its option to extend its lease past February 2015 as part of a change of ATO strategy and a major reorganisation of its national accommodation requirements.



12-22 Woniara Road, Hurstville, NSW

The Group had been in negotiations with the ATO to enter into a new lease over all but two floors of the building and had started work to backfill the remaining two floors. However, in December 2013, the Group was notified that the ATO would vacate the whole building when its lease expires on 15 February 2015.

The Group is in discussions with the ATO to start vacating the building in mid-2014. The ATO is working with the Group in this re-leasing campaign and has offered to relinquish space early to allow for a smooth transition.

The \$38.5 million, 14,700 square metre property is located within 200 metres of Hurstville train station, is within close proximity to Westfield Hurstville and surrounding amenity, has a high level of carspaces within the property and is 5 star NABERS rated and as such needs minimal capital expenditure to its plant and building services.

360 Capital and its consultants have formalised the building's capital expenditure requirements post the ATO departure, mainly comprising make-good and updating fixtures and fittings such as carpet, window treatments, ceiling lighting and modernising bathrooms. 360 Capital expects these works to cost between \$4.0 and \$5.0 million and to be funded from asset disposal net proceeds, and/or cash.



Potential lobby refurbishment

The Group has appointed Colliers International to undertake the re-leasing campaign following its recent leasing of over 8,000 square metres in the 360 Capital Office Fund's Burwood office complex. A number of inspections have already occurred including NSW State and Federal Government departments and private enterprises.

The NSW State Government has a stated 10 year decentralisation policy which is a key demand driver for suburban markets with good infrastructure and amenity attributes. With this demand, minimal new supply and the withdrawal of lower grade suburban office buildings, A grade vacancy rates in some suburban markets are now as low as 0.5%.

Of the 40,000 square metres of available space across the metropolitan Sydney market, at least 50% is in locations not endorsed by the NSW State Government, making the Hurstville property a potentially attractive proposition.



Typical 2,240sqm floorplate

SUMMARY FINANCIALS

HY14 financial results

The Group statutory profit attributable to Securityholders for the six months ended 31 December 2013 was \$10.3 million reflecting a significant turnaround compared to the loss of \$7.2 million for the previous period.

The result for the current period was impacted by a number significant one-off of gains including the “bargain purchase gain” of \$4.3 million arising from the acquisition of 360 Capital Property Group in October 2013, reflecting a discount paid compared to net tangible assets acquired.

The Group also settled the acquisition of the “Lawson Loan” for consideration of \$22.6 million during the period and subsequently revalued the loan resulting in a gain of \$4.8 million.

These one off gains were off-set by the revaluation of the Group’s investment portfolio including the Hurstville property which resulted in a loss of \$5.2 million (after lease amortisation) due to the ATO’s decision not to exercise an option to extend its lease and a \$0.5 million reduction in the carrying value of the Goulburn asset reflecting the expected net proceeds from the conditional sale contract.

The underlying operating profit for the six months was \$5.8 million, up from \$2.1 million in the prior corresponding period, reflecting the contribution from the Group’s co-investment in its managed funds which comprised distributions from managed funds and interest on loans.

The Group’s FY14 earning guidance was increased from forecast EPU of 5.90cps to 6.40cps due to higher funds management fees and interest on loans to funds combined with savings on overheads through synergies achieved subsequent to acquisition of 360 Capital Property Group.

The Group’s asset backing strengthened with total assets increasing by over \$100.0 million through the acquisition of 360 Capital Property Group and the Lawson Loan, with NTA per Security increasing 3.4% to \$0.60 per Security from \$0.58 per Security as at June 2013. On balance sheet gearing remained low at 6.3%, a slight increase on 4.9% at June 2013.

Financial Performance

	Dec 13	PCP ¹
Statutory net profit/(loss)	\$10.3m	\$(7.2)m
Statutory EPS	6.66cps	(8.44)cps
Operating profit ²	\$5.8m	\$2.1m
Operating EPS ³	3.73cps	2.41cps
DPU	2.50cps	2.50cps
Payout Ratio	67%	103%
Total assets ⁵	\$164.5m	\$62.8m
Net assets ⁵	\$135.3m	\$49.9m
Securities on issue	248.7m	85.4m
NTA per Security ^{3,5}	\$0.60	\$0.58
Gearing (core) ^{4,5}	6.30%	4.90%
Gearing look-through ⁴	33.40%	4.90%

1 Previous corresponding period (PCP) for balance sheet items is 30 June 2013 and profit loss items is 31 December 2012.

2 Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (“AAS”) and represents the profit under AAS adjusted for specific non-cash items and significant items. The Directors consider operating profit to reflect the core earnings of the Group.

3 For calculation of operating EPS and NTA per Security, the number of Securities is reduced to 226.7 million (2012: 85.4 million) which excludes Securities issues under the 360 Capital Group Employee Security Plan. The corresponding loan receivable and interest income are also not recognised.

4 Net debt excluding leases / (total tangible assets – cash).

5 Excludes material non-controlling interests in four other entities deemed to be controlled under AASB 10. The performance of these managed funds, which are operated as externally managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group’s “core” operations.

Results overview

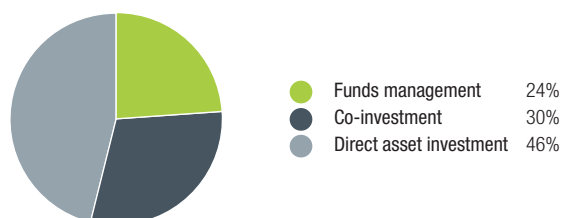
Profit and Loss

Segment results were driven by the contribution from co-investment in funds delivered through acquisition of 360 Capital Property Group.

The Group is now achieving synergies as part of acquisition and has a scaleable business with a fixed cost base from which to grow.

Properties in the direct investment segment are to be recycled into higher ROE activities such as funds management.

Revenue Diversification



Segment Operating Profit (\$'000)	Dec 13	PCP ¹
Co-investment funds	2,391 ²	–
Direct asset – net rental	3,644	3,897
Funds management	1,866 ²	274
Total revenue	7,901	4,171
Operating expenses	2,077	1,344
Operating EBIT	5,824	2,827
Net interest expense / (income)	(2)	766
Operating profit before tax	5,826	2,061
Net tax expense / (benefit)	36	–
Operating profit after tax	5,790	2,061

¹ Previous corresponding period (PCP) for balance sheet items is 30 June 2013 and profit loss items is 31 December 2012.

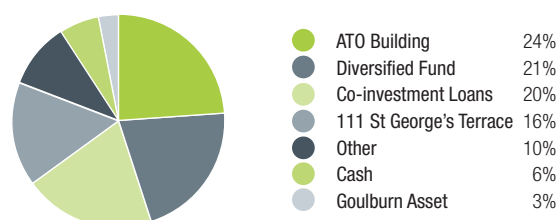
² Three months from acquisition of 360 Capital Property Group (2 October 2013) to 31 December 2013.

Balance Sheet

The Group has a strong balance sheet supported by co-investment activities.

Our current view is that capital redeployment from the disposal of direct investments will allow the Group to grow without the need to raise further equity.

Total Assets Breakdown



Core Balance Sheet	Dec 13 (\$'000)
Cash	10,336
Diversified Property Fund	33,845
111 St George's Terrace Property Trust	26,757
Developments Income Fund	1,828
Loans	33,048
Total co-investments	95,478
158 Hume Street, Goulburn, NSW	4,300
12-22 Woniora Road, Hurstville, NSW	38,500
Total direct investments	42,800
Other assets	15,888
Total assets	164,502
Borrowings	20,000
Other	9,192
Total liabilities	29,192
Net assets	135,310
NTA per Security	\$0.60
Gearing (core)^{1,2}	6.30%
"Look through" gearing¹	33.40%

¹ Net debt excluding leases / (total tangible assets – cash).

² Excludes material non-controlling interests in four other entities deemed to be controlled under AASB 10. The performance of these managed funds, which are operated as externally managed investment schemes, are considered to be non-core segments and are reviewed separately to that of the performance of the Group's "core" operations.



Please contact us

If you have any questions regarding your TGP securityholding, distributions statements, or if you would like to change your details, please call the 360 Capital information line on 1800 182 257 (within Australia) or +61 2 9290 9600 (from outside Australia) between the hours of 8.30am and 5.00pm Monday to Friday AEDT (excluding public holidays) or email investor.relations@360capital.com.au.

If you have any questions regarding TGP please visit www.360capital.com.au or call Roland Martin, 360 Capital Investor Relations Manager, on +61 2 8405 8868 or email roland.martin@360capital.com.au

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Disclaimer

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