

360 Capital Total Return Fund

26 August 2015

FY15 Full Year Results

360 Capital Investment Management Limited (360 Capital) as Responsible Entity for the 360 Capital Total Return Fund (Fund or ASX code: TOT) is pleased to announce the Fund's results for the year ending 30 June 2015.

TOT listed on the ASX in April 2015 as a unique, opportunistic fund investing in various forms of Australian real estate assets. Its objective is to deliver a 12.0%+ total return p.a. at the investment level via disciplined investment in a broad range of real estate opportunities.

Key FY15 achievements

In its first few months TOT implemented a number of strategies to achieve its objectives including:

- Negotiated unconditional contracts for sale over the two Frenchs Forest properties
- Making a \$11.2 million strategic investment in a non-360 Capital fund
- Identified & completing due diligence on a \$34.9 million mezzanine debt investment in partnership with an Australian institution
 - TOT to commit up to \$19.9 million in cash
 - Currently the borrower is refinancing the senior debt facility at which stage the mezzanine loan will be completed
- The investments above result in full deployment the \$40.0 million of IPO capital raised providing a
 - 9.61%¹ distribution yield for Q4 FY15 and
 - forecast FY16 distribution of 11.2 cents per Security (cps) equating to FY16 annualised distribution yield of 10.70%²

FY15 financial results overview

- Operating EPS of 19.4 cents per Security
- DPS of 2.81 cents per Security in line with PDS
- NTA per Security of \$1.22 slightly below PDS pro forma NTA of \$1.25 per Security
- Operating earnings of \$2.7 million in line with forecast and supports the distribution as per the Funds PDS of 2.81 cents per Security (cps) (a 9.0% yield on IPO price of \$1.25)
- Statutory net loss of \$1.5 million primarily driven by \$2.3 million fair value loss on investment properties (prior to IPO)
- Special Distribution of 1.2 cps declared
- Attractive pricing metrics:
 - ASX closing price 30 June 15 of \$1.17 per Security reflected
 - 9.61% forecast FY16 annualised distribution yield
 - 4.1% discount to NTA per Security

1. Based on TOT closing price of \$1.17 per security as at 30 June 2015

2. Based on TOT closing price of \$1.05 per security as at 25 August 2015

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Capital management

The Fund completed a restructure, IPO and \$40.0 million capital raise in April 2015 with raised funds fully committed for deployment (subject to completion of due diligence). Prior to 30 June 2015, the Fund repaid its bank debt and is now debt free, as well as making an \$11.2 million strategic investment in another fund. As at 30 June 2015, the Fund had cash of approximately \$12.0 million.

The remaining cash in the Fund will be utilised for mezzanine loan investment outlined below.

Upon completion of the sale of the Frenchs Forest properties (settlement due 30 September 2015), the Fund will have approximately \$26.0 million in cash available for investment into new opportunities including the mezzanine loan.

Due to the high level of taxable income in FY15, the Fund has elected to make a special distribution of 1.2 cps (\$0.5 million in total) to provide Securityholders with sufficient cash to pay the taxable income attached to the FY15 distribution. The record date for this distribution is 5.00 pm (AEST) 2nd September 2015 and the payment date will be on or about 23 October 2015.

Update on Investments

In line with its broad investment strategy the Fund has made a number of strategic investment decisions.

Investment properties

During FY15, the Fund achieved unconditional exchange of contracts for the sale of the Frenchs Forest properties for \$26.0 million (plus adjustments) which is in line with the book value at the time of the Fund's IPO.

360 Capital commenced discussions with the purchaser shortly after taking over the management of the Fund and negotiated the terms of sale along with settlement date of 30 September 2015 in order to provide the Fund with the benefit of retaining the rental income while the properties are fully occupied.

As part of the sale, "A" class Securityholders will receive certain adjustments over the \$26.0 million sale price after settlement as per the PDS. Upon payment of these adjustments, the "A" class Securities will be redeemed, simplifying the capital structure of the Fund.

Strategic fund investment

In the three months to 30 June 2015, the Fund made a strategic investment worth \$11.2 million in a non-360 Capital managed fund with a \$400.0 million portfolio of commercial property assets.

The investment is forecast to receive a cash distribution of circa 8.1-8.5% p.a. Based on its outlook for the market, the Fund is also expecting capital appreciation within the investment's property assets as well as improved leasing and occupancy.

Mezzanine loan investment

Post period end, the Fund executed a term sheet for a mezzanine loan and has been undertaking due diligence on a portfolio of Australian retail properties comprising three existing shopping centres secured by a combination of Woolworths, Coles and numerous national tenants currently valued at circa \$174.0 million.

The Fund is to provide the loan in partnership with an Australian institutional investor with the overall loan of \$34.9 million excluding capitalised interest and fees.

The Fund is attracted to the investment due to the portfolio's interest cover as opposed to providing development mezzanine financing.

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The borrower is currently undertaking a refinancing of its senior debt. Upon completing this refinancing, the mezzanine loan will be drawn at an interest rate of 15.0% p.a. for a term of two years. The Fund's total cash commitment for the loan will be \$19.9 million with the balance provided by the Fund's institutional partner.

FY16 outlook and guidance

The Fund's strategy remains identifying unique real estate based investment opportunities to exceed a target total return hurdle of 12.0%. The Fund has a deliberately broad mandate to enable it to pursue attractive investments in a disciplined manner across all sectors of direct property, as well as the unique ability to invest in debt investments and real estate based equity.

TOT intends to continue to utilise effective capital management to pursue a meaningful growth strategy and will do so in a fashion that ensures all Securityholders will benefit from the growth of the Fund.

The Fund will continue to leverage 360 Capital Group support as 360 Capital is frequently presented with investment opportunities that are too small for larger AREITs and do not fall into the investment mandates of either the Group or its existing managed funds.

360 Capital intends to maintain a co-investment stake of between 10 – 15% (currently 10.1%).

Subject to completing investments currently under due diligence, the Fund is expected to generate:

- Forecast FY16 EPS of circa 12.5cps (before potential capital growth) which equates to income earnings yield of 11.9%³
- Forecast FY16 DPS of 11.25cps which equates to earnings yield of 10.70%³
- The Fund will also pay a special distribution of 1.2 cps in October 2015 as noted above.

The Fund is on track to produce total returns greater than 12.0% in FY16. Earnings will be driven by a quarter of property income which will be boosted by interest income from the mezzanine loan investment and distribution income from the strategic fund investment. All of these income streams on which the distributions are based are predictable.

3. Based on TOT closing price of \$1.05 per security as at 25 August 2015

More information on TOT can be found on the ASX's website at www.asx.com.au using the Fund's ASX code "TOT", on the Fund's website www.360capital.com.au, or by calling the TOT Offer Information Line on 1800 182 257 or emailing investor.relations@360capital.com.au

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About 360 Capital Total Return Fund (ASX code TOT)

360 Capital Total Return Fund aims to provide total returns with a performance hurdle of 12% per annum to investors through a selective and disciplined investment philosophy, combined with access to real estate based investment opportunities available to the Fund through the 360 Capital platform. The Fund is externally managed by 360 Capital Group, a leading ASX-listed real estate investor and fund manager that operates under a transparent fee structure and is co-invested the Fund to ensure ongoing alignment of interests with Securityholders.

About 360 Capital Group (ASX code TGP)

360 Capital Group is an ASX-listed, property investment and funds management group concentrating on strategic investment and active investment management of property assets. The company actively invests in direct property assets, property securities and various corporate real estate acquisitions within Australian real estate markets on a private equity basis. 360 Capital Group's 21 full time staff have significant property, funds and investment management experience. 360 Capital Group manages nine investment vehicles holding assets valued at over \$1.2 billion on behalf of over 10,500 investors and has \$177 million worth of co-investments across the 360 Capital Group.
