

360 Capital Total Return Fund

18 February 2016

Interim Financial Results for the Half Year Ended 31 December 2015

360 Capital Investment Management Limited ("360 Capital") as Responsible Entity for the 360 Capital Total Return Fund (Fund or ASX:TOT) is pleased to announce the Fund's results for the half year ending 31 December 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. via disciplined investment in a broad range of real estate opportunities.

Key HY16 achievements

During the six months to December 2015, the Fund implemented a number of strategies to achieve its objective including:

- Recycling \$26.0 million of capital via the sale of the Frenchs Forest properties;
- Full redemption of the A Class units leaving the Fund with a simple capital structure;
- Completing (post period) the buyback of 15% of the Fund's Securities on issue at an 11.4% discount to NTA per Security of \$1.29;
- Accumulating of a strategic stake in Industria REIT (ASX:IDR) of 13.9% and post period increasing the stake to 14.7%; and
- Delivering a 14.4% annualised total return to Securityholders at the Fund level since listing

Post reporting period, the Fund currently has \$4.0¹ million in cash, which may be utilised for further opportunities and to fund a further proposed 15% buyback (subject to Securityholder approval).

HY16 financial results overview

- Annualised Fund total return since listing of 14.4%
- Statutory profit of \$4.6 million, EPS of 11.7 cents
- Operating profit of \$1.9 million with EPS of 5.0 cents
- DPS of 4.31 cents, plus a special distribution of 1.2cps
- NTA per Security of \$1.29

Since listing in April 2015, the Fund has distributed 8.32cps and delivered 4.0cps gain in NTA per Security. Based on the issue price of \$1.25 per Security, the Fund has achieved an annualised total return of 14.4% after costs. This return is despite the Fund retaining over this period an average \$18.8 million of cash.

The Fund's trading price has not reflected the Fund's operational performance, closing at \$1.165 on 31 December 2015, below the last capital raising price of \$1.25 per Security.

Capital management

The Fund successfully negotiated the unconditional sale of the French Forest properties for \$26.0 million and subsequently completed the sale with settlement occurring on 30 September 2015.

¹ Pro forma for the completion of the initial buyback and acquisition of additional IDR units post 31 December 2015

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This was a significant achievement as the properties were sold at book value despite one of the properties being completely vacant on 1 October 2015.

Upon completion of the sale, A Class units were fully redeemed leaving the Fund with a simplified capital structure.

On 7 October 2015, Securityholder approval was obtained for the buyback of 15% of the Fund's Securities on issue. The buyback was initiated on 12 October 2015 and was subsequently completed on 11 January 2016. The average buyback price was \$1.14 which represents an 11.4% discount to NTA per Security of \$1.29.

Update on Investments

In the six months to 31 December 2015, the Fund increased its strategic investment in Industria REIT (ASX: IDR). The accumulated stake represented a 13.9% ownership of IDR and has delivered an annualised distribution yield on cost of 7.9% and an unrealised fair value increase of \$2.1 million. Post 31 December 2015, the Fund has continued to increase its stake in IDR, now owning 14.7%.

As at 31 December 2015, the Fund's investment in IDR generated an IRR of 36.0% on capital deployed with IDR closing at \$2.14 on 31 December 2015.

Based on its outlook for the market, the Fund expects to see capital appreciation of IDR's underlying assets as well as improved leasing and occupancy.

Over the next 6 months, the Fund will explore all options to maximise its investment in IDR and recycle the Fund's capital to maximise TOT investor returns.

Strategy and outlook

TOT is currently trading at a significant 20.2% discount to NTA per Security with highly transparent assets comprising a liquid investment in the ASX listed stock (IDR) of approximately \$38.7 million and \$4.0 million of cash².

The Fund is committed to restoring TOT Securityholder value by closing the gap between the:

- Fund's current Security price of \$1.03 and the
- Fund's NTA of \$1.29 per Security.

To achieve this, the Fund will explore all alternatives for its stake in IDR including:

- a sale of the stake;
- participating in corporate activity; and
- maintaining the stake with a view to the improved valuation and leasing within IDR.

In addition, the Fund will explore further capital management initiatives including seeking approval from Securityholders to buy back a further 15% of Securities on issue.

² Pro forma for the completion of the initial buyback and acquisition of additional IDR units post 31 December 2015

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The Fund will continue to leverage the 360 Capital Group which 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 other managed funds.

Based on the current investments of the Fund, the Fund will continue to make quarterly distributions of 1.5cps.

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

Tony Pitt
Managing Director
360 Capital Group
+61 2 8405 8860

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 manages nine investment vehicles holding assets valued at over \$1.4 billion on behalf of over 12,500 investors and has over \$200 million worth of co-investments across the 360 Capital Group.
