24 February 2016

360 Capital Group (TGP)
HY16 Results
Fund Manager and Co-investment Strategy Continues to Provide Sustainable Earnings
FY16 Operating Earnings Guidance of 6.8-7.0 cps, up >9% on FY15

360 Capital Group (ASX code: TGP) (Group or 360 Capital) is pleased to announce its financial results for the half year ending 31 December 2015.

The Group has completed the transition to a pure fund manager and co-investor with the settlement of the Group's remaining direct asset at Hurstville on 30 September 2015.

The Group's investment philosophy is now focused on two key business areas:

- Funds management
- Co-investment in managed funds

Key achievements:

- Completed disposal of TGP's direct assets for $47.0 million completing transition to pure fund manager and co-investor
- Repaid all bank debt at Group level
- Redeployed $15.5 million into TIX at average price of $2.34 per unit (9.2% yield increasing total platform co-investment to $212.5 million
- Appointed responsible entity and compulsorily acquired the $330 million Australian Industrial REIT (ANI), increasing total funds under management to $1.43 billion
- Efficiencies provided through reduced staffing/operating costs to reflect completion of business transition
- Simplified business structure with two revenue streams – funds management fees and co-investment income
- Continued to optimise both capital and income returns from underlying portfolio driving investor and TGP returns

Key financial results:

- Statutory net profit of $7.7 million down 64.9% on $21.9 million in HY15 (pcp)
- Operating profit of $7.6 million up 9.1% on $7.0 million pcp
- Statutory Earnings per Security (EPS) of 3.4cps versus 9.7cps pcp
- Operating EPS of 3.3cps up 6.5% on 3.1cps pcp
- Distributions per Security (DPS) of 3.125cps up 11.9% on 2.7915cps pcp

ASX Release

1. Funds Management:

- Funds under management (FUM) increased 19.0% over the six months to December 2015 to $1.43 billion
- FY16 recurring funds management revenue forecast to be up 43.1% on FY15

Funds under management increased from $1.20 billion as at 30 June 2015 to $1.43 billion as at 31 December 2015, mainly as a result of the Group's appointment as the responsible entity of Australian Industrial REIT (ASX:ANI) in October 2015, offset in part by a non-core disposal within 360 Capital Office Fund (TOF).

Overall revenue from the funds management business was $4.8 million for the half year to 31 December 2015, up 59.1% on pcp. The Group is forecasting a total of $9.0 million in recurring funds management fees for FY16, up 43.1% on pcp.

Listed Funds

360 Capital's listed platform FUM grew by 25.2% over the past six months to $1.13 billion driven by 360 Capital Industrial Fund's (TIX) compulsory acquisition of ANI in December 2015, increasing TIXs total assets to $882.8 million.

The Group paid $8.9 million to ANI investors as part of the cash component of the takeover which along with the $5.0 million previously recognised as part of the existing funds management platform has been classified as an intangible asset on the Group's balance sheet.

Reflecting its stated intention of disposing of non-core assets to increase earnings quality, TOF sold 33 Allara Street in Canberra reducing its assets by 13.1% to $200.2 million.

The 360 Capital Total Return Fund (TOT) continued to deploy its cash balance during the period without increasing its overall asset base.

The Group remains focused on growing its listed funds in a responsible manner. However, it is prepared to stand still in market conditions that are not conducive to earnings accretive FUM growth.

Recurring listed funds management revenue over the half year to 31 December 2015 was $3.4 million up 55.0% on the pcp. For FY16, the Group is forecasting recurring revenue from the listed business of $7.1 million up 48.2% on FY15 principally as a result of the increase in FUM from ANI.

Unlisted Funds

360 Capital's unlisted platform has been rationalised and now comprises $301.7 million of assets in line with FUM as at 30 June 2015. Over the second half of FY16, the Group proposes to either sell or close down its property securities business due to its inability to reach an efficient scale.

The Group is focused on continuing to sell down its underwriting units in the 360 Capital Retail Fund No. 1 (Retail Fund). The Group has sold down approximately 30% to date, with $31.1 million remaining to be sold.

The responsible entity is currently preparing trust extension documentation for two of its unlisted funds and will recommend to unitholders of the respective funds to extend the term for each. It will continue to manage the unlisted funds in the normal course of business.

HY16 recurring revenue from unlisted funds was $0.9 million, up 17% from pcp. For FY16, the Group is forecasting recurring revenue from the unlisted business of $1.9 million (in line with FY15) plus underwriting and acquisition fee revenue of $2.1 million from the sell down of the Retail Fund.

360 Capital Group Incorporating 360 Capital Group Limited ABN 18 113 569 136 & 360 Capital Investment Trust ABN 78 307 043 667
Level 8, 56 Pitt Street Sydney NSW 2000 | T +61 2 8405 8860 | Fax +61 2 9238 0354 | E investor.relations@360capital.com.au | W www.360capital.com.au

2. Co-investments in 360 Capital funds

Over the half year to 31 December 2015, the Group increased its co-investment capital to $212.5 million, up 9.5% on 30 June 2015. This increased in co-investment was predominantly in TIX to maintaining a 15.6% ownership post the compulsory acquisition of ANI.

In line with the Group's strategy of reducing its co-investment exposure to unlisted funds, the Group increased its total co-investment in listed to $135.4 million across TIX, TOF and TOT. Unlisted co-investment reduced from $81.1 million to $77.1 million and will fall a further $30.4m with the proposed sale of the Group's investment in 360 Capital 111 St Georges Terrace Property Trust and further sell down of the Retail Fund ($31.1 million).

The Group received total distributions of $8.7 million for the half year to December 2015, up 40.2% on pcp. The Group is forecasting total co-investment revenue for FY16 to be $17.0 million, up 41.5% on FY15, reflecting the increase in co-investment capital and increases in distributions from the improvement in the portfolio returns.

3. Direct assets: Hurstville settled 30 September 2015

On 30 September 2015, the Group settled the disposal of its last remaining direct assets being 20 Woniora Road, Hurstville, NSW for a gross sale price of $47.0 million.

The Group received $1.2 million in rent for the three months to 30 September 2015.

Post settlement of the property, the Group utilised sale proceeds to repay 100% of its bank debt ($11.0 million), increase its co-investment in TIX ($15.5 million) and paid $8.9 million in cash to ANI investors as part of the ANI takeover, with the balance used as general working capital or retained as cash. The sale of the property completed the transition of the Group to a pure fund manager and co-investor.

4. Operating Expenses

Operating expenses were $3.7 million for the half year to 31 December 2015, broadly in line with the pcp, while the Group's tax expense was $0.4 million, significantly up on the pcp reflecting tax payable as a result of the increase in funds management profits.

Net interest expense including interest on the $75 million corporate bond issue was $2.9 million, an increase on the pcp reflecting a full six months' interest.

Continuing to reduce costs is a key focus of Group now that the business model has been simplified.

5. Strategy and Outlook

The Group will continue to maintain its "capital light" strategy, opting to grow earnings and distributions per security in excess of its peers from a tight capital base. This may include capital management initiatives to enhance returns to Securityholders.

The Group now has high quality, sustainable and very visible earnings from its funds management division (through recurring management fees and other associated fees) and through its co-investments (from its income distributions) following the maturation of its business model.

Without taking into account any future growth in FUM, the Group is forecasting $9.0 million in recurring management fee revenue for FY16, skewed to the second half of the year due to the Group taking over management of ANI in December 2015. The Group is also forecasting $2.1 million in underwriting and acquisition fees from the Retail Fund for FY16.

The Group's co-investments are forecast to provide $17.0 million in distribution income for FY16, an 41.5% increase on the $12.0 million received in FY15.

The Group's success in growing its listed funds has seen it recently receive approaches from third parties with various proposals including mandates, private equity capital and overseas investors seeking local management skills. To date, the Group has elected to focus on local capital sources to grow its business, however given the number of these overseas enquiries, the Group is now discussing opportunities with these parties as a way of continuing funds management revenue growth.

The Group's key focuses for FY16 are:

- Continue to recycle cash for future opportunities by:
    - Continuing to sell down underwriting equity in Retail Fund No.1 ($31.1 million)
    - Completing the sell down of Group's investment in 360 Capital 111 St Georges Terrace Property Trust ($30.4 million) in line with the strategy to reduce unlisted co-investment
- Restore value to TOT Securityholders and maximise TOT's 14.7% stake in Industria REIT (IDR) providing c$40.0 million back to TOT
- Capitalise on TOF's strong capital position (gearing 18.3%) with continued strategy to grow through organic acquisitions or M&A – i.e. proposed 111 St Georges Terrace Property Trust investment
- Investigate ways to improve the cost of capital of the Group's managed funds
- Wind up/sell property securities business as part of rationalising/streamlining business
- Reduce operating costs across Group including recently reducing staff from 18 to 15 persons
- Continue to recycle capital into higher ROE activities to drive Group EPS (including potential capital management initiatives if market misprices TGP's long term value)
- Be prepared for opportunities which may arise, be mindful of where we are in the cycle and continuing to focus on our business plan

FY16 Operating EPS and DPS Forecasts

As a result of the Group taking over management of ANI and the subsequent compulsory acquisition by TIX, the Group's recurring management fees have increased.

The Group has maintained its FY16 Operating Earnings guidance of 6.8 – 7.0cps at this stage which is up 9% from 6.4cps in FY15.

FY16 distribution per Security guidance of 6.25cps, up 8.7% from 5.75cps in FY15 is unchanged.

A TGP investor/analyst briefing teleconference call will be held on 24 February 2016 at 3:00pm Sydney time. To view the webcast of this teleconference, please visit www.360capital.com.au and follow the links to register.

ASX Release

More information on the Group can be found on the ASX's website at www.asx.com.au using the Group's ASX code "TGP", on the Group's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1800 182 257 or emailing investor.relations@360capital.com.au

Alternatively, please contact:

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

Ben James
Chief Investment Officer
360 Capital Group
+61 2 8405 8860

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 15 full time staff have significant property, funds and investment management experience. 360 Capital Group manages nine investment vehicles holding assets valued at over $1.43 billion on behalf of over 12,000 investors and has over $212 million worth of co-investments across the 360 Capital Group.

ASX Release