

360 Capital Total Return Fund

24 August 2016

FY16 Results

Underlying Fund Performance Exceeds 12%+ Total Return

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 year ending 30 June 2016.

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 Fund level via disciplined investment in real estate opportunities.

Key FY16 achievements

During the year to 30 June 2016, the Fund implemented a number of strategies to achieve its objective including:

- Successfully completed the sale of the Frenchs Forest properties for \$26.0 million
- Increasing its investment stake in Industria REIT (ASX:IDR) to 14.7%
- Simplifying the capital structure of the Fund by redeeming A Class units
- Buying back 9.0 million securities (22.7% of issued capital) at \$1.14 per Security, a 14.2% discount to the 30 June 2016 NTA of \$1.33 per Security
- As a consequence, achieving a 15.8% total return at the Fund level, well above its 12.0% objective
 - ASX price is yet to reflect this performance

TOT is well positioned to capitalise on ongoing M&A activity in the AREIT sector.

FY16 results overview

- Total return at the Fund level of 15.8% verses ASX total return (price performance plus distributions) of 5.6%
- Statutory profit of \$5.9 million; statutory EPS of 16.4 cents
- Operating profit of \$3.2 million; operating EPS of 8.9 cents
- DPS of 7.31 cents, plus a special distribution of 1.2cps
- NTA per Security of \$1.33, up 9.0% over the year

Capital management

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

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

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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 per Security which represents an 11.6% discount to NTA per Security of \$1.29 at the time.

Given the Fund's trading price on the ASX, the Responsible Entity obtained Securityholder approval on the 14 March 2016 to buy back a further 5.1 million Securities. This buyback was completed on 15 April 2016 increasing the total buyback of Securities to 9.0 million Securities, representing 22.7% of the Fund's issued capital at an average price of \$1.14 versus the Fund's 30 June 2016 NTA of \$1.33 per Security.

Update on investments

Over the past 12 months, the Fund increased its strategic investment in Industria REIT (ASX: IDR) for a total acquisition cost of \$36.5 million at an average entry price of \$2.02 per IDR unit.

The accumulated stake now represents a 14.7% ownership of IDR and has a value of \$38.8 million as at 30 June 2016. This strategic investment delivered an annualised distribution yield on cost of 7.6% and an unrealised fair value increase of \$2.2 million.

Since acquiring the IDR investment, the AREIT sector has seen several M&A transactions including

- Australian Industrial REIT
- GPT Metro Fund
- Generation Healthcare
- Investa Office Fund

IDR has provided FY17 guidance of:

- Earnings: 17.5 -17.7cps (FY16: 17.5cps)
- Distributions: 15.6cps (FY16: 15.5cps)

IDR has underperformed the AREIT index since listing, however, given TOT's entry price, the investment has met the Fund's total return hurdle.

Over the next six months, the Fund will explore all options to maximise its investment in IDR including a potential sale of its stake or other strategies and the recycling of the Fund's capital to maximise TOT investor returns.

Strategy and outlook

Our approach to TOT like all of our investments is to remain patient and disciplined.

Since TOT's IPO, we have successfully recycled assets and deployed cash into relatively stable investments.

Today's volatile markets will provide mispricing at various times. Australian Banks are starting to limit their exposure to real estate development and real estate investment property and investors chasing yield are potentially mispricing risk attached to these investments.

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Opportunities for TOT are increasing:

- Asset repositioning (releasing & refurbishment)
- Debt (mezzanine and stretched senior)
- Underwriting (listed and unlisted)
- Preference equity transactions
- Mispriced trading opportunities within AREIT sector
- M&A and special situations

TOT's key focuses for FY17 are:

- Maximise the value of the IDR stake
- Restore value to Securityholders by closing the gap between trading price and NTA per Security
- 360 Capital Group looking to commit further capital to TOT in FY17 (alongside other investors) as opportunities arise in line with TOT's business plan
- Remain disciplined in implementing investment strategy
- Take advantage of future opportunities created by current volatility in investment markets (both debt and equity investments)
- The Fund intends to maintain quarterly distributions
- **Based on the Fund's current investments, the Fund is forecasting distributions for FY17 at 7.6 cents per Security from normal operations**

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 360 Capital 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 Unitholders.

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 \$1.48 billion on behalf of over 12,000 investors and has over \$220 million worth of co-investments across the 360 Capital Group.
