

23 November 2016

**360 Capital Group (TGP)  
Majority Disposal of Funds Management Platform and Co-investments  
for \$290.7 million**

360 Capital Group (ASX code: TGP)(Group or 360 Capital) is pleased to announce it has entered into a transaction to sell 360 Capital Investment Management Limited (CIML) as well as its co-investment stakes in all funds (excluding 360 Capital Total Return Fund (ASX: TOT) and 360 Capital Subiaco Square Property Trust) to Centuria Capital Group (ASX code:CNI)(Centuria) for approximately \$290.7 million (the Transaction).

The Transaction is subject to certain conditions including:

1. TGP securityholder approval of a change in the Group's responsible entity (ordinary resolution) at the Group's AGM on 28 November 2016.
2. 360 Capital Office Fund (ASX: TOF) unitholder approval of the sale of the Group's 28.8% co-investment in TOF to Centuria entities (ordinary resolution) at a meeting to be held on or around 23 December 2016 and
3. 360 Capital bondholder approval.

**The Transaction**

The Transaction comprises several components:

1. The Group has entered into a share sale agreement with Centuria for the sale of CIML, the Group's responsible entity, for \$91.5 million (plus the net assets of CIML).
2. The Group has entered into a unit sale agreement with Centuria to dispose of its 15.6% co-investment in 360 Capital Industrial Fund (ASX: TIX) for \$82.9 million (\$2.50 per TIX unit).
3. The Group has entered into a unit sale agreement with Centuria to dispose of its 28.8% co-investment in 360 Capital Office Fund (ASX: TOF) for \$47.4 million (\$2.25 per TOF unit), subject to TOF unitholder approval.
4. The Group has entered into a put and call agreement to dispose of its co-investments in the Group's stable of unlisted trusts and funds (excluding 360 Capital Subiaco Square Shopping Centre Property Trust and 16.4% of 360 Capital Retail Fund No. 1) for a total of \$58.9 million (equivalent to the underlying trust and fund's respective NTA per unit). Under the put and call, Centuria can call the unlisted co-investments on settlement of the units at any time over the next two years and the Group can put the unlisted co-investments to Centuria after two years. Centuria has guaranteed a 7.50% p.a. income return (paid monthly) to the Group on these unlisted trust and fund co-investments until such time as the option is exercised and settled. The Group will retain approximately 7.0 million units in 360 Capital Retail Fund No. 1 (valued at \$6.4 million) and will work together with Centuria to sell this stake down over the option period.
5. The Group is to provide a \$50.0 million vendor loan to Centuria for a term of up to 18 months at an interest rate of 5.0% p.a. paid monthly. This loan is secured by first (and only) ranking security over Centuria's co-investment in TIX.

Excluded from the Transaction is the management rights relating to 360 Capital Total Return Fund (ASX: TOT), the Group's 24.3% co-investment in TOT (currently valued at \$9.0 million) and any fees and co-investment returns owed to the Group from the sale of Subiaco Square Shopping Centre (approximately \$9.6 million) as well as any other assets of the Group.

ASX Release

### Impact on the Group's capital structure and tax

The Group will continue to be listed on the ASX.

Post completion of the initial stage of the Transaction, the Group will have in excess of \$113.0 million in cash, a \$50.0 million loan receivable from Centuria, its co-investment stakes in the 360 Capital unlisted trusts and funds (\$65.0 million) and continue to own a 24.3% co-investment stake in TOT (\$9.0 million).

Post the Transaction, the Group's NTA per security is expected to increase approximately 36.2% from \$0.69 per security as at 30 June 2016 to \$0.94 per security (after allowing for any tax liabilities arising from the sale of CIML). As a result of the sale, the payment of the associated tax liabilities will generate significant franking credits. As part of the Group's capital management initiatives going forward, the Group will look at ways to maximise the return of these franking credits to securityholders.

Further, the Group intends to fully repay its corporate bonds and be debt free post completion of the Transaction.

The Group will also seek securityholder approval at its AGM to buy back up to 48.0 million securities (approximately 20% of TGP issued capital) as part of its capital management initiatives and provide liquidity to those securityholders who may wish to crystallise their investment in the Group.

The Group purchased the platform management rights in December 2010 and has spent the last six years repositioning, recapitalising and growing the platform.

The unaudited proforma balance sheet <sup>(1)</sup> post each stage of the Transaction is as follows:

	Post Stage 1 <sup>(2)</sup> \$(m) Unaudited	Final Stage <sup>(2)</sup> \$(m) Unaudited
Cash	113	202
TOT	9	9
Unlisted	65	6
Loan Receivable	50	
Other	14	14
Total Assets	251	231
Liabilities	27	7
Net Assets	224	224
Securities (m)	240	240
Pro forma NTA per security	\$0.94	\$0.94

<sup>(1)</sup> Unaudited proforma balance sheet based on 360 Capital Group 30 June 2016 segment balance sheet adjusted for the forecast impact of the Transaction net of tax, the sale of Subiaco Square Shopping Centre and the recognition of the Group ESP loan receivable.

<sup>(2)</sup> Stage 1 represents the expected financial position of the Group after initial completion date of the Transaction including repayment of 360 Capital bonds. The Final Stage represents the expected financial position of the Group after the repayment by Centuria of the \$50 million vendor loan provided by the Group, settlement of all the unlisted investments under the put and call agreement and payment of Group tax liabilities.

### 360 Capital Total Return Fund

As part of the Transaction, TOT unitholders will be asked to replace TOT's current responsible entity (CIML) with 360 Capital FM Limited (also wholly owned by the Group) to enable the Group to focus on growing TOT in line with its mandate.

With increasing marketplace volatility, TOT is expected to benefit from opportunities arising in both debt and equity investments. TOT will become the Group's only managed fund and will be a key focus for the Group going forward.

### 360 Capital managed funds

For some time now, the Group has advocated the merger of the smaller AREITs in order to provide greater scale and liquidity (as recently demonstrated by TIX's takeover of ANI in 2015).

Centuria's stated plan is to continue to manage TIX in line with TIX's current strategy as a sector specific, rent collecting, Australian industrial fund.

Despite owning high quality assets, TOF is subscale and the Group has looked at various options over the past 1-2 years to grow the TOF in a manner accretive to unitholders. If the sale of TOF management rights proceeds, it is currently Centuria's intention to consider a potential merger TOF and CMA (if in the best interest of unitholders in each fund) in order to create a larger more relevant fund that will be a dominant player in the suburban office marketplace. However, at this stage no terms or other details in relation to a potential merger have been determined.

The Group's stated strategy has been to exit its unlisted retail fund activities. The sale to Centuria enables Centuria to continue its growth in unlisted retail funds and places it as one of the largest managers of unlisted funds in Australia. The mandates for each of the unlisted funds are proposed to remain.

Like 360 Capital, Centuria will become the largest unitholder in each of the 360 Capital funds as a result of purchasing the Group's co-investment stakes, thereby ensuring the continued alignment of interest between the managed funds and the manager.

### Future strategy for the Group

The Group's senior management team of Tony Pitt (MD), Ben James (CIO), Glenn Butterworth (CFO) and James Storey (TOT fund manager) will continue to drive results for TGP and TOT securityholders. The Group's Board of Directors will also be unchanged.

The Group will continue its strategy of being a fund manager and co-investor, however, given the significant level of cash, the Group will also look to sponsor transactions with TOT and institutional partners as opportunities arise.

Given recent capital restrictions on Australian banks, the Group also sees opportunities for superior returns in well secured Australian real estate debt investments and will look at these as part of its cash redeployment strategy.

### **Institutional partnerships and private equity real estate**

As previously stated, the Group has had various discussions with overseas private equity real estate groups over the past 12 months. The Group has elected not to progress these discussions to date based on its focus on continuing to grow its listed platform and not create potential conflicts between investors.

Unlike many small and mid-tier real estate groups in Australia, the Group does not have a substantial overseas real estate shareholder. The Group is independent with an Australian-only investment focus.

Upon completion of the sale to Centuria, the Group will progress discussions with various parties on two fronts:

1. Partnering with overseas institutions seeking local expertise to either partner in investments and/or establish a platform (potentially as a joint venture) over a period of time.
2. The Group will establish a private equity real estate fund in due course and will seek equity commitments from private equity limited partners over the next 1-2 years. This fund will focus on counter cyclical opportunities within Australian real estate and will be the Group's main wholesale focus going forward. The Group is expected to generate substantial carry fees in line with other private equity models from this fund once it is established.

### **Forecast FY17 Operating EPS and DPS**

The Group will continue to make quarterly distributions/dividends in line with current guidance for FY17 of 6.50cps. Given the Group's significant expected cash level and zero debt, forecast FY18 distributions/dividends will be determined by the redeployment of this capital. In the absence of any capital redeployment, the Group's forecast FY18 EPS would be approximately 3.0cps.

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

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#### **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 Group 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.