

360 Capital Total Return Fund

22 February 2017

HY17 Results

Underlying Fund Investments Deliver 13.0% IRR

360 Capital FM Limited (360 Capital) as Responsible Entity for the 360 Capital Total Return Fund (Fund or ASX: TOT) is pleased to announce its financial results for the half year ending 31 December 2016.

HY17 financial results overview

- Internal Rate of Return (IRR) of the Fund's underlying investment of 13.0%
 - o ASX price continues to trade at a discount to Net Tangible Assets (NTA)
- Statutory profit of \$0.48 million; statutory Earnings per Security (EPS) of 1.6 cents
- Operating profit of \$1.23 million; operating EPS of 4.0 cents
- Distribution of 3.80 cents per security; reflecting a 7.2% annualised distribution yield¹
- TOT continues to provide an attractive value proposition, trading at a (-19.1%)¹ discount to the 31 December 2016 NTA per security of \$1.31
- TOT is well positioned to capitalise on future corporate activity within the AREIT sector, holding an 11.0% interest in Industria REIT (ASX: IDR) and benefitting from a well-capitalised and experienced manager

On 23 December 2016, Unitholders of the Passive and Active Fund passed a resolution to change the Responsible Entity from 360 Capital Investment Management Limited to 360 Capital FM Limited. The change in Responsible Entity was effective from this date. There were no changes to the Directors of the Responsible Entity.

Why invest in TOT?

TOT is a unique investment proposition that provides investors with:

- Access to opportunistic style real estate investments that are generally only available to major institutions
- Counter-cyclical investing and the ability to deliver attractive returns during periods of underperformance in traditional listed real estate securities
- Liquidity as an ASX listed security that is not offered by larger closed ended funds
- Absolute return focused, with management incentives based on outperformance of the targeted hurdle rate of 12.0% p.a.
- Access to 360 Capital's deal flow and management expertise

¹ Based on the 31 December 2016 trading price of \$1.06 per security

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Update on investments

After reviewing IDR's acquisition of the WesTrac facility in Tomago, NSW, the Fund decided not to participate in either the institutional placement or entitlement offer. Rather, the Fund sold down part of its IDR holding.

The stake now represents an 11.0% ownership of IDR and has a value of \$37.6 million as at 31 December 2016. This strategic investment delivered an annualised distribution yield on cost of 8.0%, an unrealised fair value increase of \$1.5 million and underlying IRR of 13.0%.

We continue to believe there will be further consolidation within the sector, noting that the cost of capital and lack of liquidity of smaller vehicles continues to limit their potential for growth.

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

Outlook and opportunities

- The low interest rate environment has led to Investors chasing yield and potentially mispricing risk
- Recent geopolitical events have led to a sharp increase in bond yields, which may lead to a softening in demand for both direct and indirect real estate
- It would appear, monetary policy has reached the bottom of the interest rate cycle with a tightening of monetary policy more likely in the medium term
- Tightening credit policy and a reduced appetite from traditional real estate lenders has led to an increase in demand for non-bank lending
- Changing credit conditions in Australian banks has led to senior debt positions offering higher relative returns on a risk adjusted basis
- The continued weight of offshore capital limits growth prospects for small caps; creating the catalyst for a change in capital structure

Key Focus and guidance

TOT's key focuses for the second half of 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 is looking to commit further capital to TOT in FY17 (alongside other investors) as opportunities arise in line with TOT's business plan. TOT is the Group's only external fund and it is the Group's key focus to grow TOT's asset base, making TOT a more meaningful investment proposition
- 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**

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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 1300 082 130 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: 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, real estate debt and various corporate real estate investments within Australian real estate markets on a private and public equity basis.
