360 Capital Group

360 Capital TOTAL RETURN FUND

    

HY2017
Results Presentation

ASX: TOT

22 February 2017

360 Capital FM Limited (ACN 090 664 396) as responsible entity for the 360 Capital Total Return Passive Fund (ARSN 602 304 432) and 360 Capital Total Return Active Fund (ARSN 602 303 613) together the 360 Capital Total Return Fund (ASX code "TOT")

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HY2017 results presentation

1 At a glance

$37.6m
Investment in IDR

13.0%
IRR on
IDR investment
since acquisition

-3.8%
HY17 Total
Shareholder
Return

$1.06[1]
ASX closing price

$1.31
NTA per Security
(highly transparent)

3.8 cps
Distributions

4.0 cps
Operating Profit

Trading Price
-19.1%[2]
Discount to NTA

1. Closing price on 31 December 2016
2. Based on 31 December 2016 closing price of $1.06

2 Why invest in TOT?

- 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 under performance in traditional listed real estate securities
- Liquidity as an ASX listed security that is not offered by larger closed ended funds
- Absolute return focus 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

3 Investment mandate

TOT is well positioned to take advantage of volatility in real estate and capital markets…

Equity Investing

Direct Assets

Repositioning / rezoning

Corporate

Mispriced A-REITS

Underwriting / Recapitalisations

M & A activity

Debt Investing

Non-bank lending

Stretch senior

Mezzanine finance

Distressed Finance

Underperforming loans

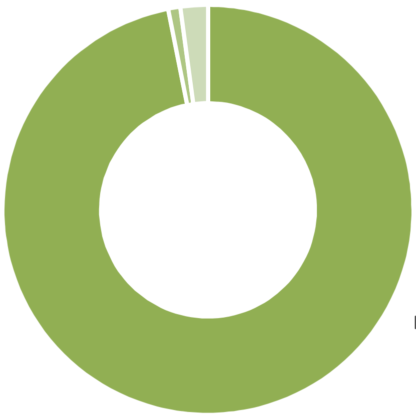
Loan books

Purposely Broad Mandate

4 Earnings & distributions

- Results skewed across periods as the Fund no longer owns any direct real estate assets
- Distribution income increased in line with IDR forecasts
- Statutory EPU lower than Operating EPU due to mtm movements in IDR
- HY17 DPU in line with guidance

HY17 OPERATING PROFIT COMPOSITION



	HY17 ($m)	HY16 ($m)	CHANGE
Property income	-	866	
Distribution income	1,432	1,283	
Finance income	14	159	
Gain on sale of financial assets	32		
TOTAL REVENUE	**1,478**	**2,308**	**-36.0%**
Operating Expenses	(252)	(366)	
OPERATING EBIT	**1,226**	**1,942**	**-36.9%**
Interest Expense	-	-	
OPERATING PROFIT	1,226	1,942	**-36.9%**
Revaluation & non-operating items	(743)	2,626	
STATUTORY PROFIT/(LOSS)	483	4,568	**-89.4%**

OPERATING EPS	**4.0 cps**	**5.0 cps**	**-20.0%**
DISTRIBUTIONS DPS	**3.8 cps**	**5.5 cps**	**-30.9%**

5 Assets & liabilities

- Increase in cash as a result of the sale of IDR Units
- Decrease in the value of IDR investment due to
  - the sale of 207,043 Units,
  - a decrease in the trading price across periods
- The Fund has no debt
- 2cps or -1.5% reduction in NTA per security as a result of the decrease in the trading price of IDR

NET ASSET COMPOSITION

	Dec 16 ($m)	Jun 16 ($m)	CHANGE
Cash	1,713	1,094	
Receivables	1,447	1,488	
IDR investment	37,592	38,751	
TOTAL ASSETS	**40,752**	**41,333**	**-1.4%**
Payables	52	74	
Distributions payable	583	460	
Borrowings	-	-	
Financial instruments	-	-	
TOTAL LIABILITIES	**635**	**534**	**18.9%**
NET ASSETS	**40,117**	**40,799**	**-1.7%**
Units on issue	30,663	30,663	-
NTA PER UNIT	**$1.31**	**$1.33**	**-1.5%**
GEARING[1]	-	-	

Notes

1. Gearing is defined as total borrowings less cash divided by total assets less cash

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Current investment portfolio

Strategic stake in Industria REIT (ASX:IDR)

- TOT has accumulated a $37.6m investment in IDR (a 11.0% ownership stake holding 17.9m IDR Units)
  - Average entry price of $2.01 per IDR Unit verses $2.10 as at 31 December 2016 (now trading at $2.07)
  - Received a total of $1.43m in distributions from IDR (for the six months to 31 December 2016)
- TOT is the second largest unitholder in IDR
- 360 Capital believes that consolidation in the AREIT sector is an ongoing theme
- Since acquiring the IDR investment, the AREIT sector has seen several M&A transactions including
  - Australian Industrial REIT
  - GPT Metro Fund
  - Generation Healthcare
  - 360 Capital Group platform
- IDR provided updated FY17 guidance of:
  - Earnings: 17.9 – 18.1 cps
  - Distributions: 16.0 cps
- TOT continues to monitor its investment in IDR to maximise value for TOT Securityholders

7 360 Capital business update

TGP
Opportunistic Investing

$200m-$300m Equity		Potential Debt Investment (Capital Preservation)
IP Investment / Deal Capital	Co-Investment / Deal Capital	General Partner Co-Investment / Deal Capital / Sponsorship
Investment Mandates	**ASX: TOT**	**Private Equity Partnerships**
	Horizon	
6-18 Months	Current Mandate	1-2 Years
- FM partnering platform - Overseas capital seeking local platforms - 5 year business cycle - Examples; Becton + Trafalgar - Defined exit multiples	- Target $200m equity - Remain listed to provide access for ordinary investors - Debt/equity investment on opportunistic basis - Total return focused	- Target $1bn plus of limited partner capital (LP) - Counter cyclical potential - M+A activity potential
Operating Capital	**Public Capital Markets**	**Private Capital Markets**

8 Outlook and opportunities

Outlook

- 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 markets
- It would appear, monetary policy has reached the bottom of the interest rate cycle with a tightening of monetary policy is 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

Opportunities

- Changing credit conditions in Australian banks has led to senior debt positions offering higher relative returns on a risk adjusted basis
- Recent increases in bond yields has led to a sell-off of AREITs, creating the potential for mispricing opportunities
- The continued weight of offshore capital limits growth prospects for small caps, creating the opportunity to facilitate liquidity for investors

Distribution Guidance

Based on the current investment portfolio, the Fund is forecasting distribution guidance of 3.8 cps for the second half of FY17 bringing total forecast distributions to 7.6 cps for the year

Disclaimer

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