

360 Capital Total Return Fund (ASX: TOT)

FY17 Results | 17 August 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: TOT)

Highlights

\$6.7m

Statutory Profit

\$3.1m

Operating Profit

8.7%

Total
Securityholder
Return

18.3%¹

Underlying
Investment IRR

18.2cps

Statutory Profit

8.4cps

Operating Earnings

10.5cps

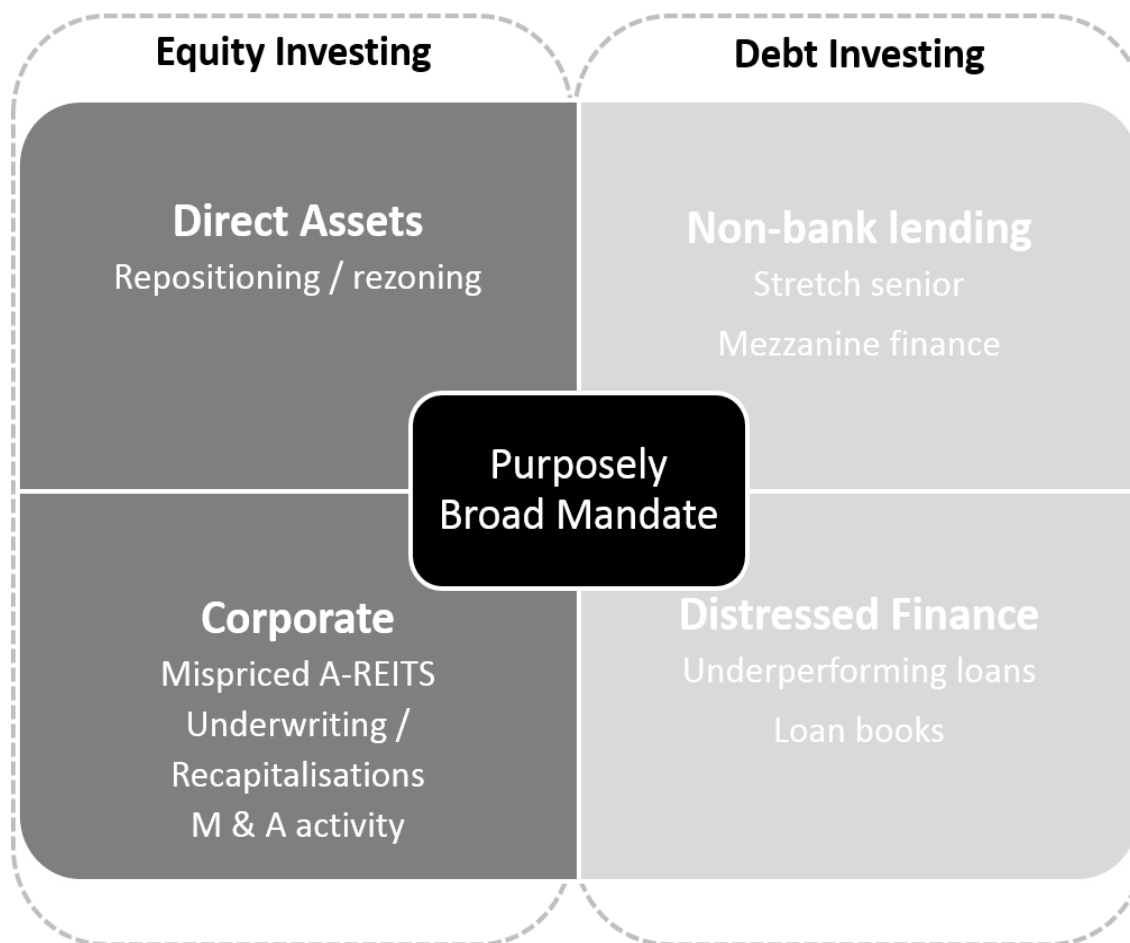
Distributions

\$73.2m²

Market
Capitalisation

1. Underlying Internal Rate of Return of the fund's holding in Industria REIT which was sold on 11 July 2017
2. Based on 29 June closing price of \$1.11 per security

Investment Strategy



A|M|F
Australian Mezzanine Finance

\$7.1m

Junior debt facility
Forecast >15.0% IRR
18-20 month term

In Due Diligence



\$63.4m

Realisation of strategic
holding in IDR
18.3% IRR / 2 yr hold

Completed 2017

Value Proposition

TOT's investment mandate is flexible and opportunistic, taking advantage of market conditions that provide investors with risk adjusted, total returns in excess of 12% p.a.

Equity Investing



Target IRR >12% p.a.

- Invested \$57.2m in **IDR**, achieved **18.3% p.a. IRR** for Unitholders
- Sale of Frenches Forest assets for \$26.0m
- Current market conditions provide limited equity investment opportunities

Debt Investing



Target IRR >12-15% p.a.

- Opportunity to provide finance to developers and owners, taking advantage of changing credit conditions
- \$7.1m transaction finalising due diligence
- \$60.0m+ transactions currently under review

FY15

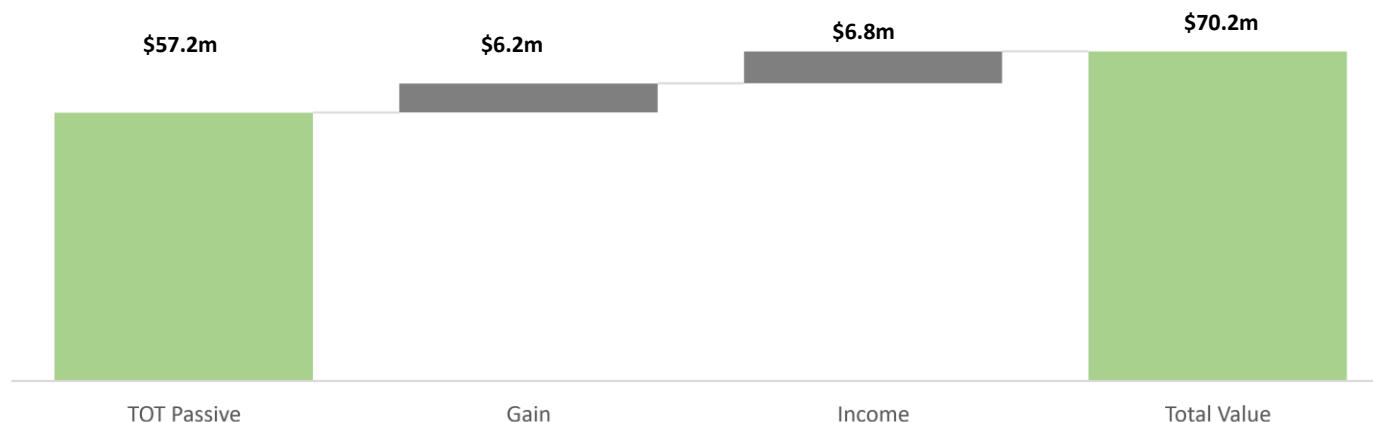
FY16

FY17

FY18

Strategic Equity - Industria Investment

- Since listing, TOT has been focused on equity opportunities
- TOT invested \$57 million in IDR at an average entry price of \$2.07 per unit
- Post capital raising, increased holding to 18.2% (including TGP's investment)
- Exited the entire investment at \$2.30 per security on an ex-distribution basis
- Generated an IRR of 18.3% p.a. over a two year hold period



IRR
18.3%
p.a.

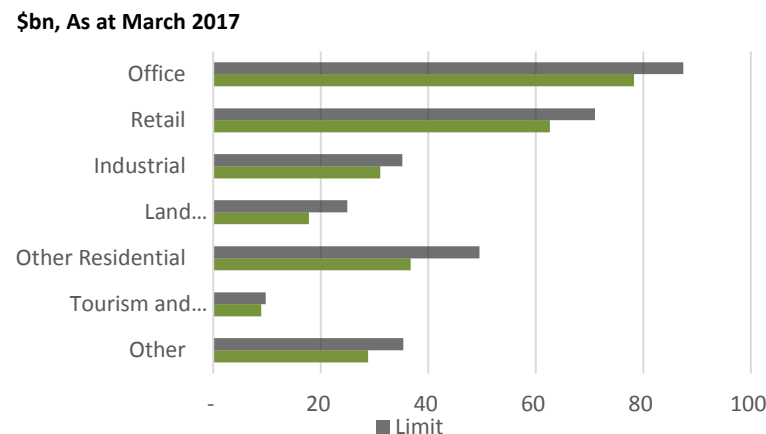
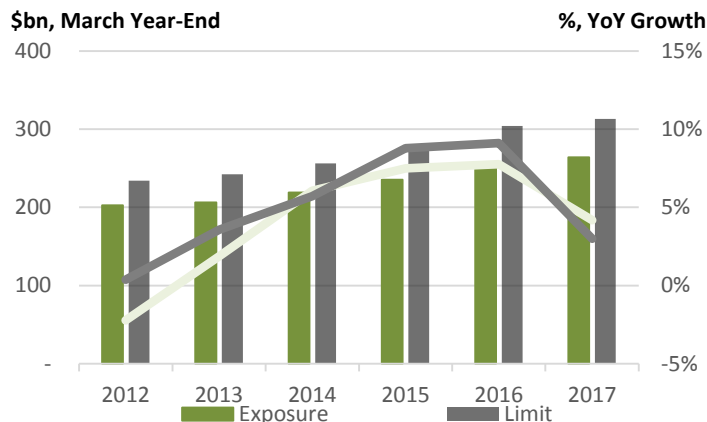
Capital gain
\$6.2m

Income received
\$6.8m

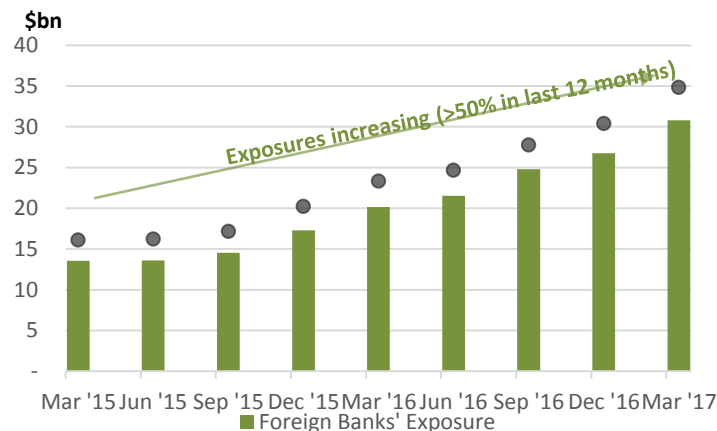
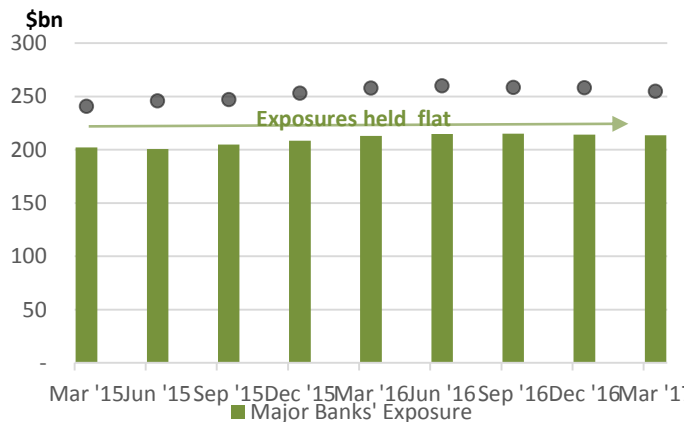
Available Cash
~\$75.0m

The Changing Capital Landscape

Authorised Deposit taking Institutions commercial property exposures are near limits, with slowing growth



While domestic major banks have held commercial property exposures flat, foreign banks have increased theirs by over 50%



Source: APRA Quarterly ADI Property Exposures (March 2017)

Multi Channel Origination Strategy

Direct

AMF, through 360 Capital, has great relationships across the property industry and sources deals directly through its network

Broking Relationships

AMF and 360 Capital have built relationships with major commercial finance brokers and are on numerous non-bank lending panels

Partnerships with Australian Banks

AMF has partnered with local banks to provide a lending product that combines senior and mezzanine debt into a stretched senior facility. AMF provides the first-loss debt funding position in the capital stack, enabling the bank to create a simple stretched senior product without increasing its risk profile or capital requirements

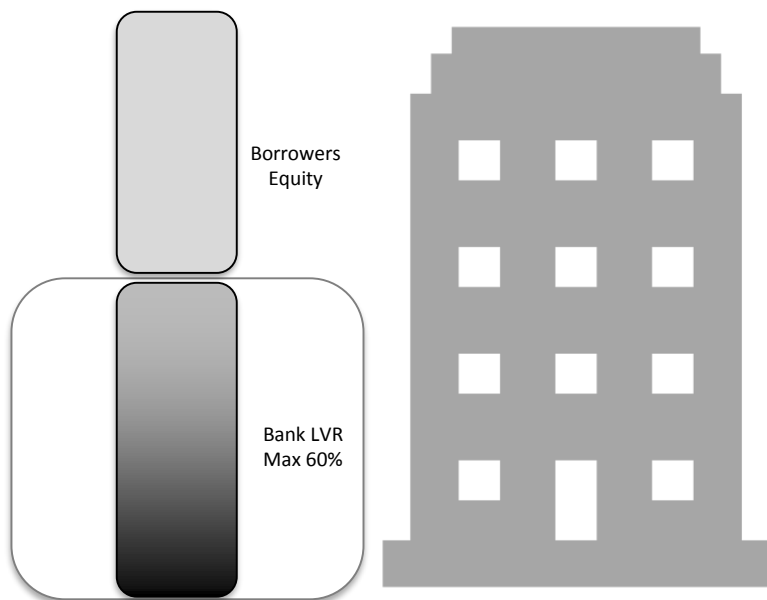


Partnering with Australian Banks

*AMF structured finance product, heads of agreement signed with a major Australian Bank
legal documentation underway, first deal under review*

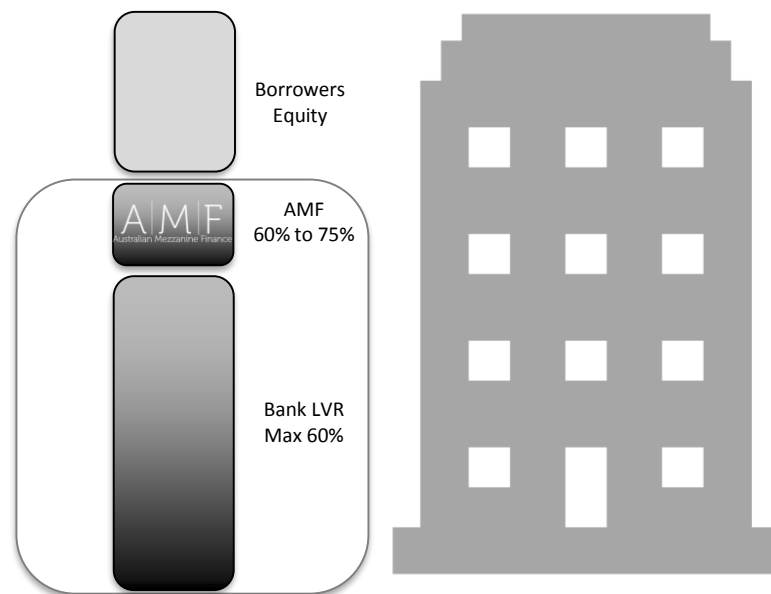
Current lending environment

APRA capital adequacy requirements have reduced the LVR available to borrowers. LVR's now capped now at 60% or less



AMF stretch senior

AMF structured senior allows banks to offer higher LVR's to borrowers



Broker Relationships

- AMF/TOT building strong broker relationships
- Commenced active marketing to broker networks in July 2017
- AMF and 360 Capital are now on eight non-bank lending panels with major commercial brokerage firms
- >\$100m transactions reviewed since incorporating and marketing AMF
- 360 Capital prides itself on discipline, communication with borrowers and brokers and execution surety from a nimble and experienced team
- Disciplined approach to reviewing deals, focused on credit quality, project/property fundamentals and capital preservation

Direct Transactions



Background

Opportunity to provide junior financing to a well known private developer, pre-committed 15-year commercial development. The site has been purchased and all planning approvals are in place.

The developer has entered into an agreement for lease and fixed price construction contract with a well known builder.

Security and Structure

The loan will be subordinated to a senior debt facility to be provided by one of the big-four Australian banks. The junior finance position will be secured by a registered second mortgage and personal guarantee. Facility forecast to be drawn in September-2017.

Exit/Repayment

The loan is to be repaid at practical completion of the project via a refinance from the senior lender.

Structure	Size	Term	Forecast IRR
Junior Debt	\$7.1m	18-20 months	>15.0%

Current Opportunities Under Review

City	Location	Project Type	Loan	Size	Term
Sydney	Premier, Lower North Shore	Residential – apartments	Senior	\$4.0m	12 months
Sydney	Upper North Shore	Residential – townhouses	Senior	\$20.0m	12-15 months
Sydney	Hills District	Residential – house and land	Senior	\$19.5m	12-18 months
Sydney	Upper North Shore	Residential – apartments	Senior	\$11.5m	12 months
Perth	Various	10x industrial asset portfolio	Junior	\$10.0m	15 months
Total				\$65.0m	

Earnings and Distributions

- The Fund no longer owns any direct real estate assets
- Distribution income increased in line with IDR forecasts and increased holding
- Statutory Earnings higher than Operating Earnings as a result of mtm movements in holding value of IDR
- Operating EPU inline with guidance
- Distributions up 23.5% as a result of realisation of trading profits on the transfer of IDR

	Jun 17 (\$m)	Jun 16 (\$m)	CHANGE
Rental from investment properties	-	1,269	
Distribution income	3,636	2,732	
Finance revenue	82	201	
Net gain on financial assets	3,643	3,521	
TOTAL INCOME	7,361	7,723	(4.7%)
Investment property expenses	-	179	
Management fees	352	330	
Other trust expenses	263	1,310	
Financial expenses	46	-	
STATUTORY PROFIT	6,700	5,904	13.5%
Net gain on financial assets	(3,643)	(3,521)	
Transaction costs	43	283	
Other non-operating	-	529	
OPERATING EARNINGS	3,100	3,195	(3.0%)
Weighted Securities on Issue	36,811	35,914	
OPERATING EARNINGS	8.4cps	8.9cps	(5.6%)
DISTRIBUTIONS	10.5cps	8.5cps	23.5%

Assets and Liabilities

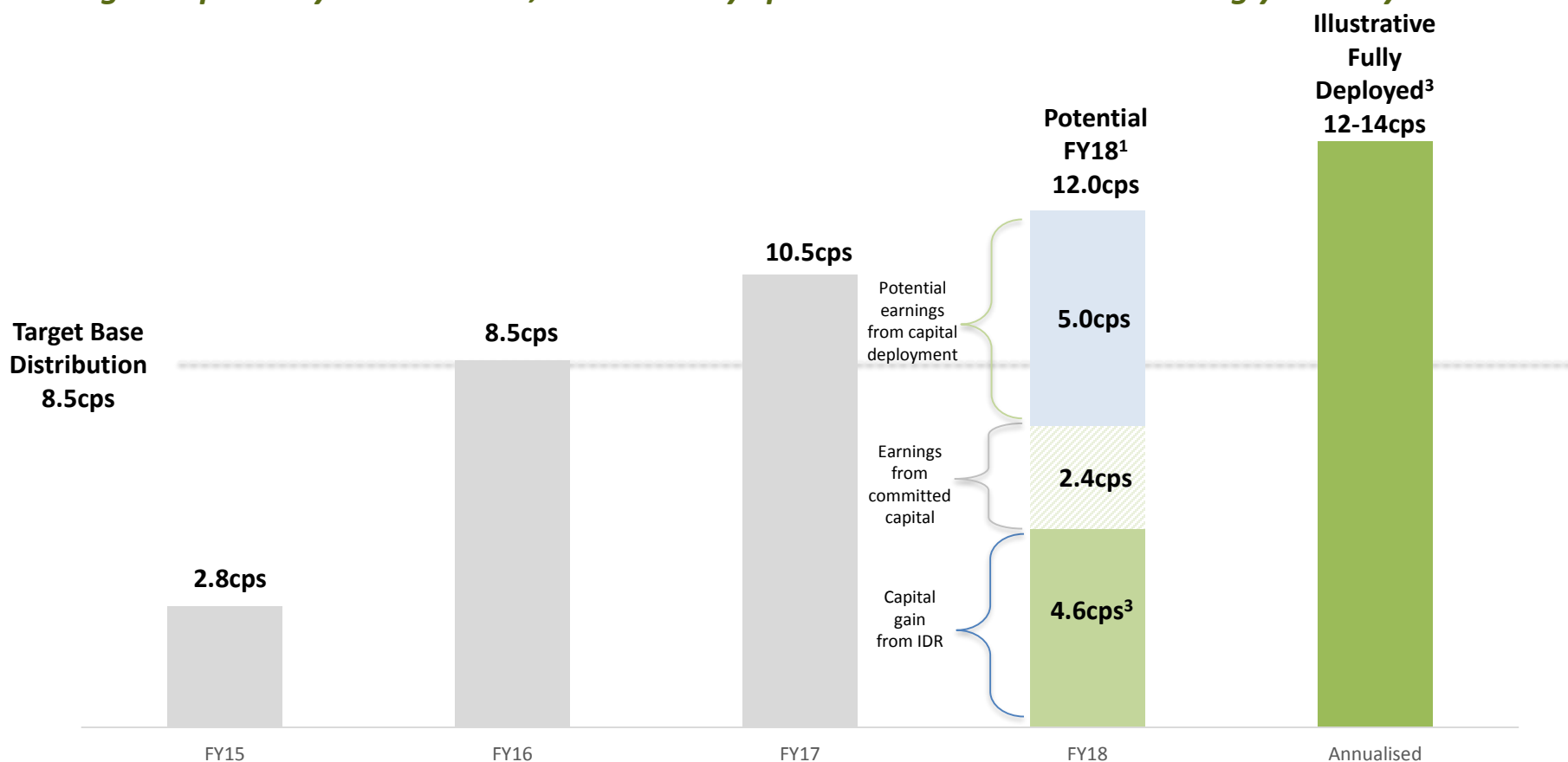
- Increase in cash as a result of the April-17 capital raising
- Increase holding of IDR to 27.55m Units (realised post period)
- Distributions payable include 2.4cps special distribution paid in June-17
- The Fund remains debt free

	Jun 17 (\$m)	Jun 16 (\$m)	CHANGE
Cash	19,858	1,094	
Receivables	2,204	1,488	
IDR investment	63,091	38,751	
TOTAL ASSETS	85,153	41,333	106.0%
Payables	88	74	
Distributions payable	3,164	460	
Borrowings	-	-	
Financial instruments	-	-	
TOTAL LIABILITIES	3,252	534	509.0%

NET ASSETS	81,901	40,799	100.7%
Units on issue	65,925	30,663	
NTA PER UNIT	\$1.24	\$1.33	(6.8%)
GEARING	-	-	

Distribution History

Regular quarterly distributions, enhanced by special distributions – increasing year on year to date



1. Assuming \$65.0m is deployed into non-bank lending opportunities for six months, providing a 12% p.a. interest rate
2. Realised capital gain on sale of Industria REIT securities
3. Annualised illustrative fully deployed balance sheet into non-bank lending opportunities i.e. \$82m @ minimum 12% p.a. interest rate

Active Capital Management

- \$40.6m raised via 15% placement and 1:1 entitlement @ \$1.15
- Significant institutional support, five new institutions entered the register
- Unitholders refreshed placement capacity in July 2017 providing funding flexibility
- Target market capitalisation of \$200 million in 24 months, providing increased liquidity and scale
- Focus on closing the discount to NTA
 - Actively marketing the fund to new investors
 - Unitholder meeting seeking approval for on-market buyback

Outlook

- Changing credit conditions for Australian banks have led to senior and junior debt positions offering higher relative returns on a risk adjusted basis
- Monetary policy appears to have reached the bottom of the interest rate cycle, with a tightening of monetary policy more likely in the medium term

Focus

- Complete due diligence on current \$7.1 million junior finance investment
- Deploy available ~\$75 million capital in line with the fund's mandate and current market conditions
- Close the gap between trading price and NTA

Appendices

FY17 Results | 17 August 2017

Board of Directors



DAVID VAN AANHOLT, CHAIRMAN & INDEPENDENT DIRECTOR

David has over 25 years of experience in the property and funds management industry. Prior to establishing his own property group in 2007, David was the Chief Executive Officer (Asia Pacific) of the ASX listed Goodman Group (previously known as Macquarie Goodman). In that role David was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. David worked for Goodman for more than a decade and before joining them he was a Fund Manager at Paladin Australia Limited (acquired by Deutsche Bank) and an Associate Director of CDH Properties (acquired by KPMG).



TONY PITT, MANAGING DIRECTOR

Tony is a founding Director of 360 Capital and has worked in the property and property funds management industries for approximately 20 years. Tony is responsible for the performance of 360 Capital's various investments and funds, including the investment analysis, management, acquisitions and disposal and overall Group and investment strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken corporate acquisitions and the ASX listing of 360 Capital Group. Tony formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at JLL and CBRE. He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.



ANDREW MOFFAT, INDEPENDENT NON EXECUTIVE DIRECTOR

Andrew has in excess of 20 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Limited. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services.

Andrew's past public company directorships include itX Group Limited, Infomedia Limited, Rubik Financial Limited and Chairman of Pacific Star Network.



JOHN BALLHAUSEN, INDEPENDENT NON EXECUTIVE DIRECTOR

John is a financial services professional. He provides services to a number of organisations and is a Responsible Manager for several Australian Financial Services Licences. John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately \$100 million in funds under management spread over four registered property schemes.

Before 2002 John held the position of Chief Investment Officer of a large insurance company, with responsibility for more than \$3 billion of funds across fixed interest, equities and property asset classes.



GRAHAM LENZNER, INDEPENDENT NON EXECUTIVE DIRECTOR

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the Board of a number of public and private companies. He is currently Chairman of Device Technologies Australia Pty Limited.

Key Management Team



BEN JAMES, CHIEF INVESTMENT OFFICER

Ben joined 360 Capital in 2010 and is responsible for all fund investment activities within the group. Ben has over 19 years' experience in Real Estate Funds Management and Investment across the office, retail, industrial, hotel and car park sectors.

Prior to joining 360 Capital, Ben was the Trust Manager of Mirvac Property Trust, the \$4.5 billion investment vehicle of the ASX listed Mirvac Group. He also held positions in property management and investment sales with Colliers International.



GLENN BUTTERWORTH, CHIEF FINANCIAL OFFICER

Glenn is responsible for all 360 Capital's financial management activities. Prior to joining 360 Capital, Glenn spent 11 years at Mirvac, most recently as Financial Controller of the Investment Division. Glenn was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management skills, gained from over 20 years' industry experience. Prior to Mirvac, Glenn held a number of senior finance roles including Financial Controller at McGrath Estate Agents. Glenn is a chartered accountant and commenced his career at Deloitte.



JAMES STOREY, FUND MANAGER, 360 CAPITAL TOTAL RETURN FUND

James has over 11 years' experience in real estate funds management including such areas as asset management, capital transactions, analytics and valuations. Prior to his current role, James was the fund manager of the ASX listed 360 Capital Industrial Fund and 360 Capital Office Fund with combined gross assets of over \$1.1bil. James previously held roles at Brookfield and worked for Ernst & Young within the Transaction Advisory team.



PRIYA A. ROY, HEAD OF PRIVATE CAPITAL

Priya has 8+ years' experience in private equity and investment banking, working across the spectrum from acquisitions, asset management, and dispositions through to corporate advisory for M&A and the debt and equity capital markets. She began her career with Morgan Stanley in New York City and later in Sydney, and she was at Goldman Sachs before joining 360 Capital as the Head of Private Capital in 2017. She holds two undergraduate degrees in Finance and Mathematics from Indiana University as well as a master's degree in International Business from the University of Sydney.



JENNIFER VERCOE, COMPANY SECRETARY

Jennifer has over 15 years' experience in finance and funds management within the property industry. Jennifer is the Company Secretary to 360 Capital Group and Financial Controller of TT Investments. Prior to this she held finance and funds management roles at Stockland, Valad Property Group and AMP Capital Investors.

Jennifer is a Chartered Accountant and has a Certificate in Applied Finance and Bachelors of Commerce and Business Administration from Macquarie University.



AINSLIE MCFARLAND, FINANCE MANAGER

Ainslie joined 360 Capital in June 2014 and is responsible for the finance function of the 360 Capital Group, in a role covering management and statutory reporting, compliance, treasury control and taxation. Ainslie has over 8 years' experience in investment and asset management. Previously at Mirvac for 4 years, Ainslie was part of the finance team responsible for the Mirvac Property Trust, and prior to this she worked for the prestigious asset management firm Harrods Estates in London. Ainslie is a qualified Chartered Accountant, holding a Bachelor of Commerce (Accounting & Finance) from the University of Wollongong and a Graduate Diploma of Chartered Accounting.