

360 Capital Total Return Fund

17 August 2017

FY17 Results

Underlying Fund Investments Deliver 18.3% 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 year ending 30 June 2017.

FY17 financial results overview

- Internal Rate of Return (IRR) of the Fund's underlying investment of 18.3%¹
- Statutory profit of \$6.7 million; statutory Earnings per Security (EPS) of 18.2 cents
- Operating profit of \$3.1 million; operating EPS of 8.4 cents
- Distribution of 10.50 cents per security, including a 2.40 cent special distribution; reflecting a 9.5% annualised distribution yield²
- TOT continues to provide an attractive value proposition, trading at a -10.5%² discount to the 30 June 2017 NTA per security of \$1.24
- \$40.6 million capital raising in April 2017, with five new institutional investors joining the Fund's register
- The Fund increased its strategic investment (\$57.2 million) in Industria REIT to 16.9% or 27.55m securities and post balance date, exited the entire holding for \$63.4 million, delivering Unitholders with an Internal Rate of Return of 18.3% p.a. over the two-year investment horizon
- The Fund continues to progress due diligence on the \$7.1 million junior debt facility. It is anticipated that the investment will provide the Fund with a greater than 15% internal rate of return p.a. over an 18 to 20-month investment horizon
- The Fund has good deal flow of non-bank lending investments and is actively progressing a number of opportunities to deploy the Fund's capital

Capital raise

The Fund completed a \$40.6 million capital raising on 9 May 2017, comprising of \$5.3 million via a placement to institutional investors and a \$35.3 million non-renounceable 1 for 1 entitlement offer. The proceeds from the capital raise were used to increase the Fund's strategic investment in Industria REIT (ASX: IDR) and allocated \$5.0 million to non-bank finance.

Non-bank finance

As part of the capital raise detailed above, the Fund acquired a 50% stake of Australian Mezzanine Finance Pty Limited (AMF) for nominal consideration.

The Fund continues to progress due diligence on the \$7.1 million junior debt facility. It is anticipated that the investment will provide the Fund with a greater than 15% internal rate of return p.a. over an 18 to 20-month period and is expected to be drawn in September 2017.

¹ Underlying Internal Rate of Return of the fund's holding in Industria REIT which was sold on 11 July 2017

² Based on the 29 June 2017 closing price of \$1.11 per security

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In addition, AMF has been developing a product in partnership with the Australian banks which enables the banks to offer a stretched senior facility to their commercial real estate customers (investors and developers). AMF has now entered into agreement with a major Australian bank to progress this product development and complete among other aspects, the legal structuring, and in due course live transactions. This product, as well as direct broking of transactions through AMF will provide the Fund with a pipeline of financing opportunities on a selective basis.

Sale of strategic equity investment

Post balance date, the Fund exited its investment in IDR for \$63.4 million, equivalent to \$2.30 per security on an ex-distribution basis. The sale crystallised a \$6.2 million trading profit and delivered Unitholders with an IRR of 18.3% p.a. over the two-year investment horizon.

Active capital management

Unitholders refreshed the Fund's placement capacity in July 2017, providing funding flexibly for future acquisition opportunities.

The Fund is focused on closing the discount to NTA. On 24 July 2017, the Fund announced a proposed on-market buyback for up to 30.0% (19,777,434 stapled securities) of the issued securities in the Fund. The proposed buyback is subject to Unitholder approval on 23 August 2017. If approved by members, the proposed buy-back will be funded from existing cash reserves. The level of buyback will also depend on the price which securities can be repurchased as well as other opportunities available for the Fund's capital.

Outlook

The Fund's strategy remains focused on identifying unique real estate based investment opportunity with a target total return hurdle of 12% per annum. The Fund has a deliberately broad mandate to enable it to pursue attractive investments across all sectors of real estate as well as the unique ability to invest in debt investments and equity as well as direct property.

Base distributions for FY18 are targeted to be in line with previous years but will depend on reinvestment of the Fund's free cash, which is currently, approximately \$75 million.

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.
