

360 Capital Total Return Fund

7 December 2017

360 Capital Total Return Fund (TOT) Investment Update

360 Capital FM Limited (360 Capital) as Responsible Entity for the 360 Capital Total Return Fund (Fund or ASX: TOT) is pleased to announce that in line with its strategy, the Fund has commenced the deployment of its cash into non-bank real estate lending activities.

Existing Portfolio

The Fund has committed to deploying approximately \$36.5 million across three separate loan investments comprising:

- a \$7.7 million, junior debt facility on a commercial development in Perth which has a 15 year precommitted lease, on a loan term of 24 months at an interest rate of 15% per annum.
- a \$9.3 million senior debt facility on a commercial medical development in Melbourne 79% precommitted, on a loan term of 15 months at an interest rate of 12% per annum
- a \$19.5 million, senior debt facility on a residential development in Sydney which is subject to a condition precedent before being drawn down. This loan will attract a 12% interest rate

The Fund has a further, approximately \$15.0m of live transactions currently in various stages of due diligence/negotiation and continues to see a pipeline of transaction. Over the past 5 months, through the 360 Capital Total Return Fund (ASX: TOT), the Group has reviewed over \$0.8 billion in transactions.

The Fund, continues to identify a significant pipeline of debt investment opportunities across key metropolitan markets. These are predominately senior loans for development of both commercial and residential property, with a target loan size of \$5.0 to \$20.0 million.

Resourcing for Growth

The Fund also notes 360 Capital Group (ASX: TGP) announcement today regarding the appointment of David Graaug as Head of Real Estate Debt and James Cama as Manager of Real Estate Debt and the proposed ASX listing of a new first mortgage fund in 2018.

Prior to joining 360 Capital, David was Head of Property Finance NSW and had a career at St George spanning over 20 years dealing across all facets of commercial property investment and development finance.

James Cama was previously an Account Manager – Commercial Property Finance NSW at ING Direct Australia and was awarded 2016 Account Manager of the year – Commercial Property Finance. Prior to ING Direct, James had various roles in real estate finance at St George Bank over a 10-year period.

The Fund will benefit from these appointments and growth of 360 Capital's broader non-bank financing activities. Debt investment opportunities uncovered by 360 Capital which meet the Fund's return parameters are offered to Fund on a priority basis. With the recent recruitments, the continued tightening of the Australian banking prudential regulations and further market awareness of our non-bank lending activities, we expect a significant increase in deals in 2018. The Fund will remain diligent in the deployment of its capital and will not take undue risk for the sake of deploying this capital.

360 Capital Total Return Fund

Potential for active earning stream

We note 360 Capital's announcement today that it is planning to launch a Mortgage REIT in 2018 which will include an element of higher return senior development funding. As noted above, 360 Capital Total Return Fund will have priority to debt transactions which meet its total return hurdles and other investment criteria.

TOT will also benefit through its 50% ownership in AMF Finance (AMF) as AMF receives all establishment fees on development loans written by 360 Capital Group managed entities including the proposed Mortgage REIT and other private client development funding. This revenue stream will add to TOT active earnings.

Based on the current committed investments and live transactions under review/negotiation, the Fund provides target distribution guidance for FY18 of between 9.0 to 12.0 cents per security.

Attached is a presentation outlining the Fund's current activities.

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.

360 Capital Total Return Fund (ASX: TOT)

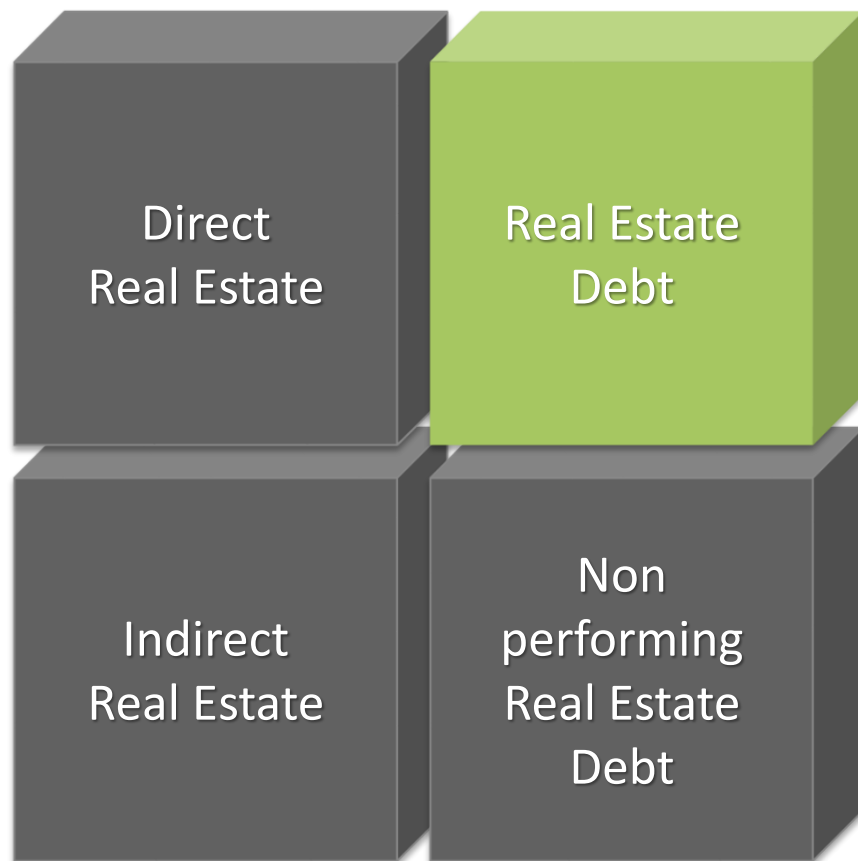
Investment Update

7 December 2017

The stapled fund comprising 360 Capital Total Return Passive Fund (ARSN 602 304 432) and 360 Capital Total Return Active Fund (ARSN 602 303 613)

Current Investment Focus

Broad and Flexible Mandate across the Capital Stack



Why debt?

- Late stages of real estate cycle
- Focus on capital preservation, step-out of first loss position
- Changes in prudential regulation have further created non-bank lending opportunities
- Secured loans with higher risk-adjusted returns than equity

Non-Bank Landscape

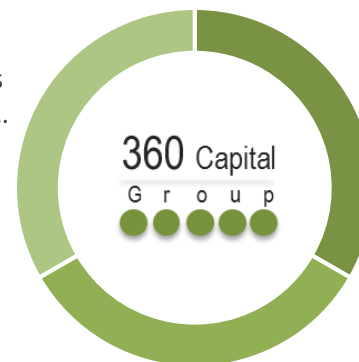
The Market Opportunity ⁽¹⁾

With increasing regulatory pressures, traditional banks are unable to service the demand for real estate lending, creating a funding gap for non-bank lenders



Deal Origination

Direct Relationships with Brokers...



Australian & Overseas Banks

Direct Relationships with Borrowers

Capital Sources

Public Capital	<ul style="list-style-type: none"> ✓ 360 Capital Group (ASX:TGP) ✓ 360 Capital Total Return Fund (ASX:TOT) ✓ 360 Capital Mortgage REIT (Launch 2018)
Private Capital	<ul style="list-style-type: none"> ✓ High Net Worth ✓ Family Offices ✓ Private Equity
Debt Capital	<ul style="list-style-type: none"> ✓ Strong Relationships with Banks ✓ Growing Network with Overseas Banks ✓ Private Debt Capital

A Typical Deal

2 – 3%	Establishment Fee
12 – 15%	Interest Rate
70% / 80%	LVR / LTC
12 – 24 months	Term
Security over 1 st mortgage and personal guarantees over development projects	

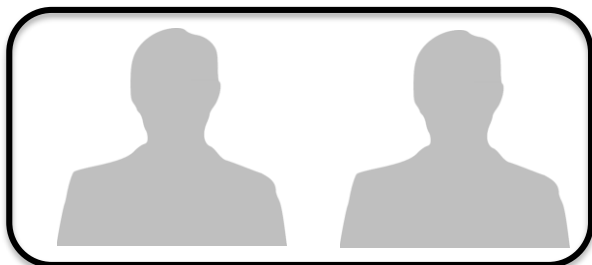
1. Charts represent the share of commercial real estate financing exposures held by banks and non-banks. Source: Goldman Sachs Research, May 2017.

Origination Team & Credit Committee

Credit Committee – Finalising Appointments



Andrew Moffat
Chairman



Fund Manager



James Storey
Fund Manager

- 11 years' experience
- B. Bus (Prop. Economics)
- Grad. Cert App Fin
- Experience across property funds management, asset management and capital transactions

Deal Origination Team

- **360 Capital's in-house specialist debt team originate development loans**
- Property finance specialists
- Over 30 years' combined banking and finance experience
- Extensive experience in debt funding for subdivisions and construction projects across Australia
- Clients have included both private and institutional clients
- Strong relationships with the major banks operating in Australia



David Grauaug
360 Capital, Head of
Real Estate Debt

Prior to his current, David was Head of Property Finance NSW at St George Bank with a career spanning over 22 years across all facets of property investment and development finance.

David holds a Bachelor of Arts from the University of Western Australia and a Graduate Diploma of Applied Finance and Investment and is a fellow of the Financial Services Institute of Australia.



James Cama
360 Capital, Manager of
Real Estate Debt

James is a property finance specialist with over 12 years of banking and finance experience. James has previously held commercial property finance roles at St George Bank and ING Bank (Australia). He has extensive experience in the funding of commercial real estate investment and development transactions with both private and institutional clients.

James holds a Bachelor of Business and Commerce majoring in Applied Finance from the Western Sydney University.

Current Loan Portfolio

Hotel Development



Melbourne Medical Centre



Sydney House & Land

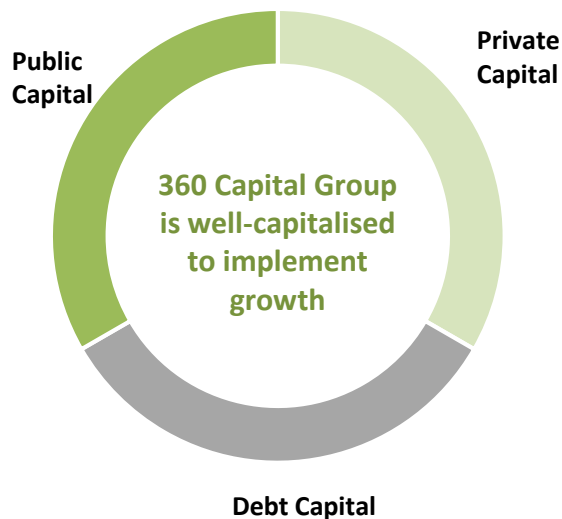
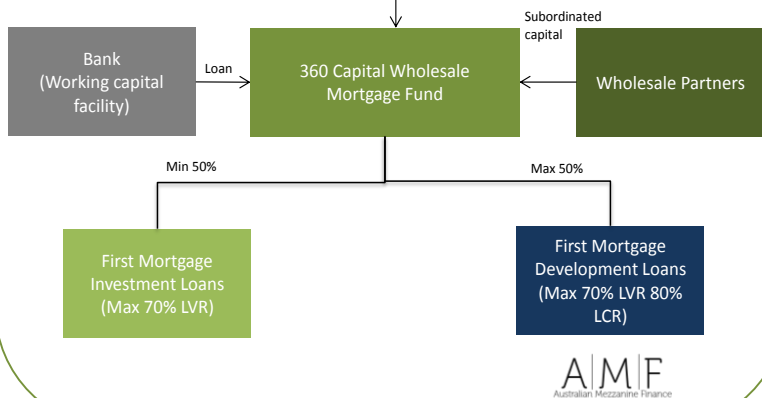


Status	Financial Close	Financial Close	Waiting on satisfaction of CP
Loan Type	Mezzanine loan	Progressively drawn senior loan	Progressively drawn senior loan
Loan Purpose	Construction of pre-leased hotel in Perth	Development of a medical centre	Acquisition of land + development of 26 free-standing houses
Size¹	<ul style="list-style-type: none"> ✓ Gross Realisation: \$76m ✓ Loan: \$7.7m (70% LVR / 78% LTC) 	<ul style="list-style-type: none"> ✓ Gross Realisation: \$13m ✓ Loan: \$9.3m (70% LVR / 79% LTC) 	<ul style="list-style-type: none"> ✓ Gross Realisation: \$31m ✓ Facility: \$19.5m (70% LVR / 80% LTC)
Interest Rate	15%	12%	12%
Term	24 months	15 months	18 months
Credit Enhancements	<ul style="list-style-type: none"> ✓ Registered 2nd mortgage ✓ Personal and director's guarantees with charges over investment vehicles ✓ 2nd Ranking General Security Deed ✓ Inter-creditor deed 	<ul style="list-style-type: none"> ✓ Registered 1st mortgage ✓ Personal and director guarantees ✓ Corporate guarantee ✓ 1st-ranking General Security Deed 	<ul style="list-style-type: none"> ✓ Registered 1st mortgage ✓ Personal and director guarantees ✓ 1st-ranking General Security Deed
Exit / Repayment	The loan is to be repaid at practical completion of the project via equity from the sponsor	Repaid via refinance with term debt at practical completion	Repaid via completion of pre-sale agreements

TOT to benefit from TGP's new products

Focus to make AMF Joint Venture a major Non-Bank Lender / Broker / Originator

Public Capital (proposed 360 Capital Mortgage REIT)



Private Capital



- >High Networks
- >Family Offices
- >Private equity
- >Superannuation funds

A|M|F

Establishment Fees:

- >TOT Loans
- >360 Capital Mortgage REIT (2018)
- >360 Capital Private Clients
- >3rd Party Deal Referral

Active and Passive Revenue Streams

Passive returns
from loan
portfolio



Active returns in
form of fee
revenue



360 Capital Total Return Passive
Fund (ARSN 602 304 432)

360 Capital Total Return Active
Fund (ARSN 602 303 613)

Loan Income
>12%-15% interest rates



Establishment Fees
>TOT Loans
>360 Mortgage REIT (proposed 2018)
>360 Private Capital Loans
>Deal referral fees



A | M | F

Multi Channel Origination Strategy

Direct

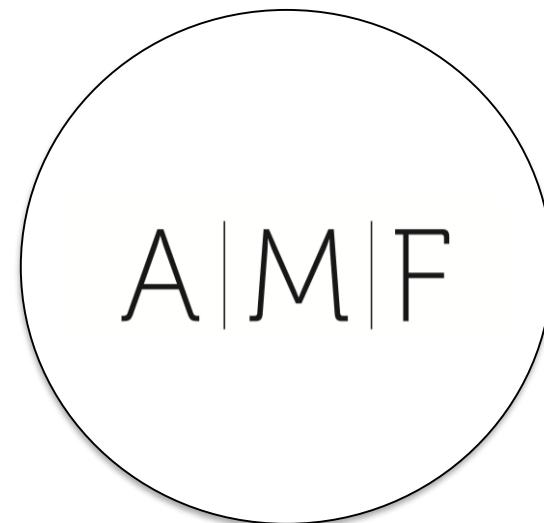
AMF, through 360 Capital, has great relationships across the property industry and sources deals directly through its network

Broking Relationships

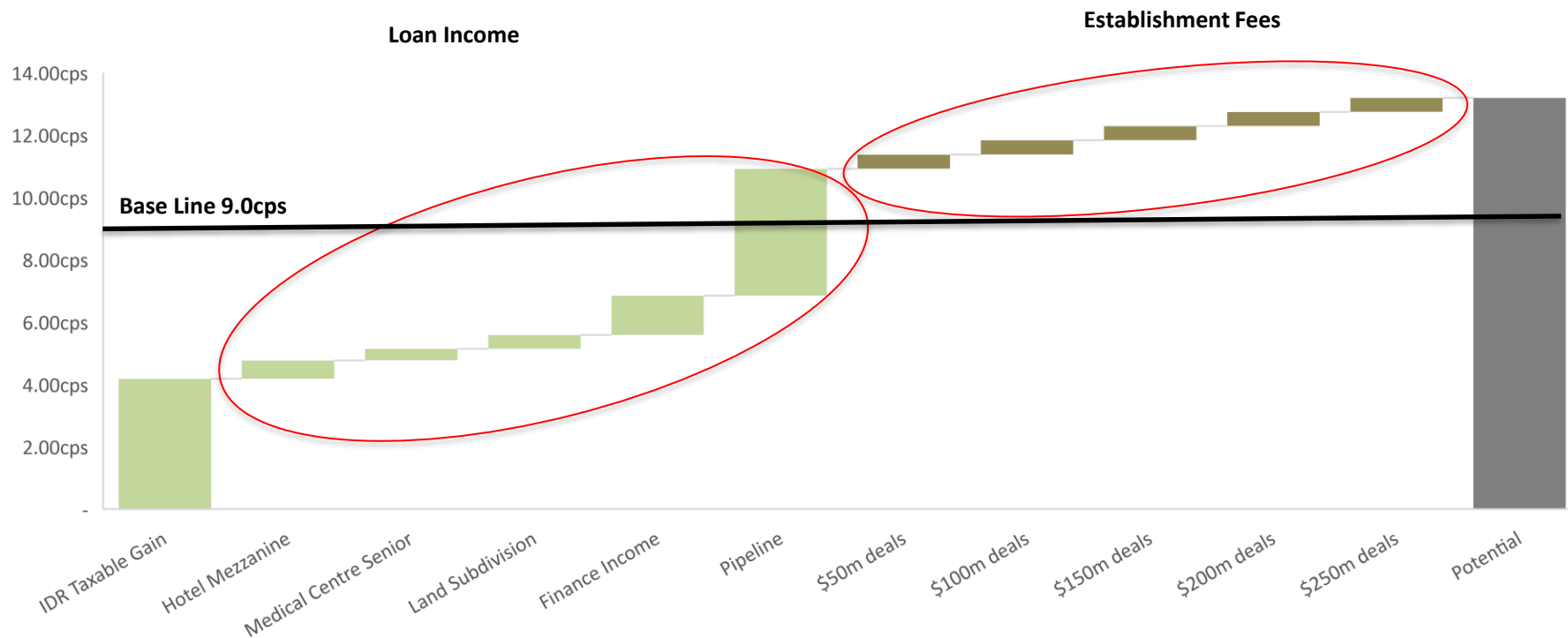
AMF and 360 Capital have built relationships with major commercial finance brokers and are on numerous non-bank lending panels

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



Built in Earnings Growth Thru AMF



Outlook

- Non-bank lending in real estate expected to continue to increase :
 - APRA has imposed more banking regulations on Australian Banks
 - Banking Royal Commission may further restrict bank lending
 - Price maker, not taker – i.e. TOT can name its interest rate as has capital ready to deploy
 - Capital, robust processes and efficient execution key to returns

The Fund provides target distribution guidance for FY18 of between 9.0 to 12.0cps.