

360 Capital Total Return Fund



28 February 2018

360 Capital Total Return Fund (TOT) HY18 Results Non-bank Lending Gains Momentum

360 Capital FM Limited 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 2017.

HY18 financial results overview

- The Fund disposed of its holding in Industria REIT in July 2017 for \$63.4 million, delivering Unitholders with an Internal Rate of Return of 18.3% p.a. over the two-year investment horizon;
- The market is now recognising TOT's business plan with the Fund delivering a Total Shareholder Return of 25.1% for the 12-months to 31 December 2017;
- The appointment of 360 Capital's dedicated debt team has led to a significant increase in deal flow with the Fund now committed to funding \$36.5 million of non-bank lending transactions and a further \$76.0 million of transactions with either terms agreed or terms issued;
- Given the Fund's focus on capital preservation, the Fund remains disciplined and highly selective, should the current opportunities under review proceed, the Fund anticipates allocating available capital by 31 March 2018;
- TOT through its 50% ownership in AMF Finance will benefit from establishment fees on loan transactions written by 360 Capital Group entities including 360 Capital's proposed Mortgage REIT and other private client development funding;
- Statutory profit of \$0.67 million; statutory earnings per security (EPS) of 1.0 cent per security (cps);
- Operating earnings (including distributable gains¹) of \$4.17 million or 6.3 cps;
- Distribution of 4.5 cents per security for the first half of FY18; reflecting a 7.5% annualised distribution yield²

Investment Focus

Given our opinion that we are entering the late stage of the real estate cycle, TOT is capitalising on its broad mandate and focusing on real estate debt investment which it believes provides higher risk adjusted returns than equity investing.

Over the past 7 months, through the 360 Capital Total Return Fund (ASX: TOT), the Group has reviewed over \$1.0 billion in transactions and the Fund continues to identify a significant and growing pipeline of

¹ Distributable gain represents the amount available for distribution from the realised gain on disposal of IDR investment

² Based on the 29 December 2017 closing price of \$1.205 per security

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debt investment opportunities. These are predominately senior loans for development of both commercial and residential property projects, with a target loan size of \$5.0 to \$50.0 million.

The self-liquidating nature of these investments provides the Fund with flexibility should market conditions change, allowing the Fund to switch investment focus back to equity investing should this present higher return opportunities.

Current Loan 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 pre-committed 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 which is 85% pre-committed, 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. This loan will attract a 12% interest rate over an 18-month term

Loan Pipeline

As a result of APRA continuing to place restraints on Australian banks capital allocation to commercial real estate, the non-bank real estate debt market is anticipated to double, creating a \$30 billion market opportunity.

To capitalise on this opportunity, 360 Capital Group (ASX: TGP) appointed David Graaug as Head of Real Estate Debt and James Cama as Manager of Real Estate Debt. The Fund has the benefit of these appointments with transaction volumes significantly increasing over the past few months.

The Fund currently has \$76.0 million of investments under various stages of due diligence, including:

- Terms agreed for a \$8.0 million, senior loan for the construction of a boarding house in Sydney's Eastern Suburbs;
- Terms issued for a \$32.0 million, senior loan for the construction a medium density apartment development in Sydney; and
- Terms issued for a \$36.0 million, senior loan for the construction of a hotel in the Melbourne CBD

AMF Finance has a further ~\$50 million of transactions currently in various stages of review.

TOT to benefit from TGP's New Products

TOT through its 50% ownership in AMF Finance will benefit from establishment fees on development transactions written by 360 Capital Group entities including 360 Capital's proposed Mortgage REIT and other private client development funds.

Given the current volume of potential transactions, this active revenue stream is forecast to become a notable contributor to TOT's active earnings.

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Outlook and Guidance

Based on the current committed investments and live transactions under review/negotiation, the Fund affirms target distribution guidance (including realised gains) for FY18 of 9.0 cents per security.

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.
