360 Capital TOTAL RETURN FUND

360 Capital Group

360 CAPITAL TOTAL RETURN FUND (ASX: TOT)
FY18 Results Presentation

22 August 2018

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)

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1. FY18 Results and Investment Strategy

FY18 Results

$5.9m

Operating Profit

9.0 cpu

FY18 Operating EPU

9.0 cpu

FY18 DPU

22.2%

FY18
Total Unitholder Return[1]

$1.19

Net Tangible Assets per Unit

$111.0m

Loan Book[2,3]

1. Total Unitholder Return is the movement in unit price and distributions (assumed to be reinvested) over the 12-month period
2. Facility amount including capitalised interest and fees
3. Inclusive of Port Coogee facility (terms agreed)

TOT’s Investment Strategy

Current Focus Real Estate Debt

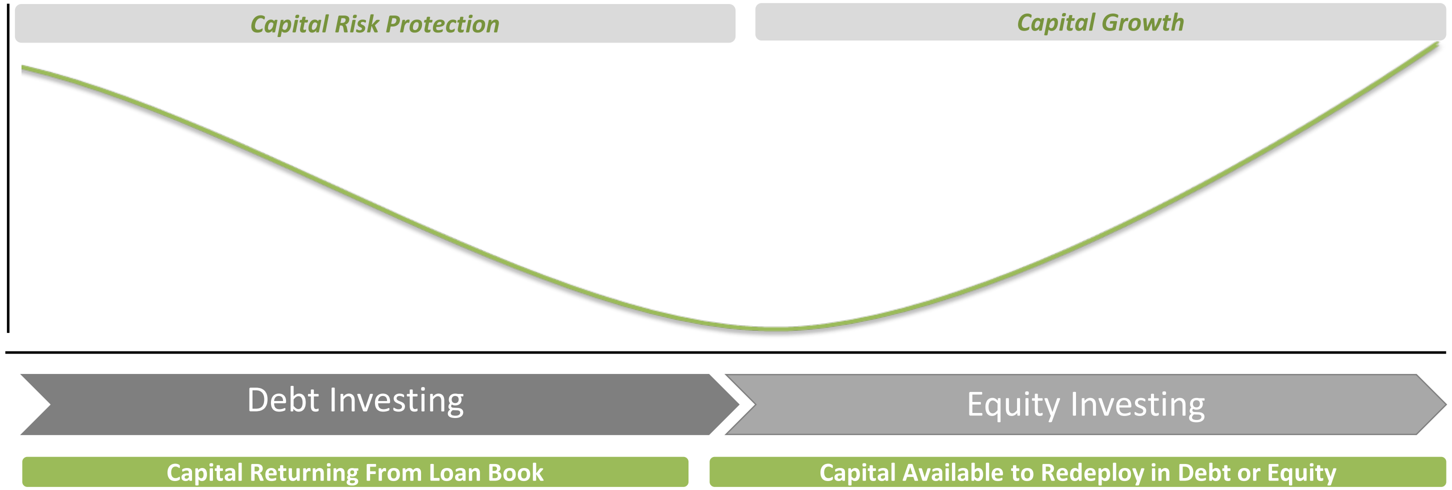
Why Real Estate Debt?

- 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

Indirect Real Estate - AMF

- AMF Finance Pty Ltd 50% owned by TOT
- AMF originates all 360 Capital and TOT’s real estate debt transactions
- Provides TOT with growing fee revenue streams and debt investment opportunities
- AMF revenue will continue to enhance TOT’s earnings and provide dividends

Self liquidating debt investments provide flexibility if market conditions change



2. Distribution History and Trading Performance

Distribution History and Trading Performance

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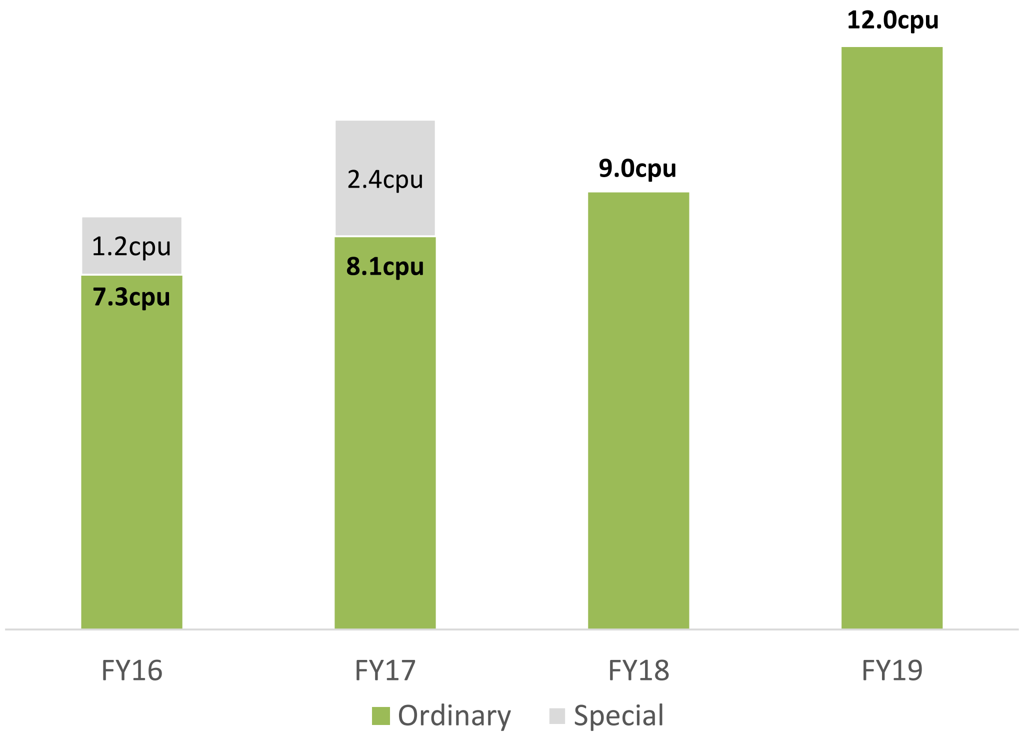
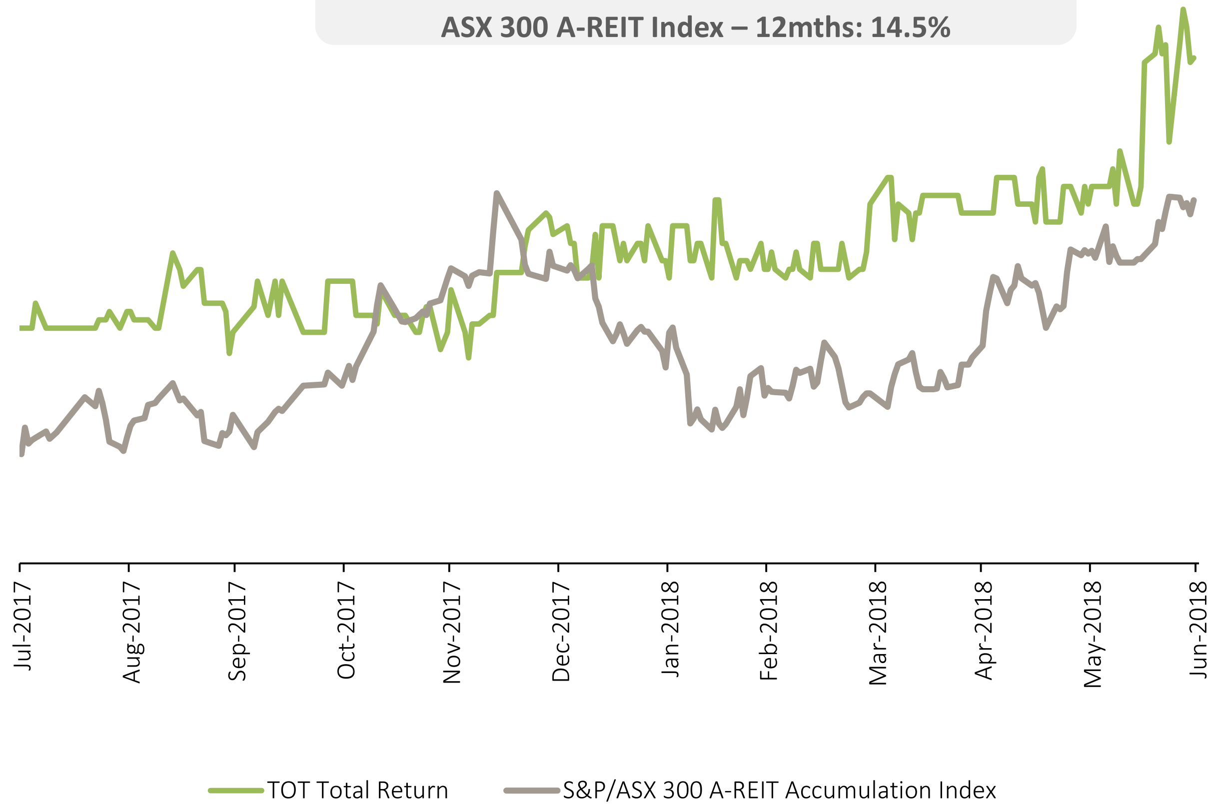
Distributions enhanced by distributable gains



Index outperformance

TOT FY18 Total Unitholder Return[1] – 12mths: 22.2%
vs.
ASX 300 A-REIT Index – 12mths: 14.5%

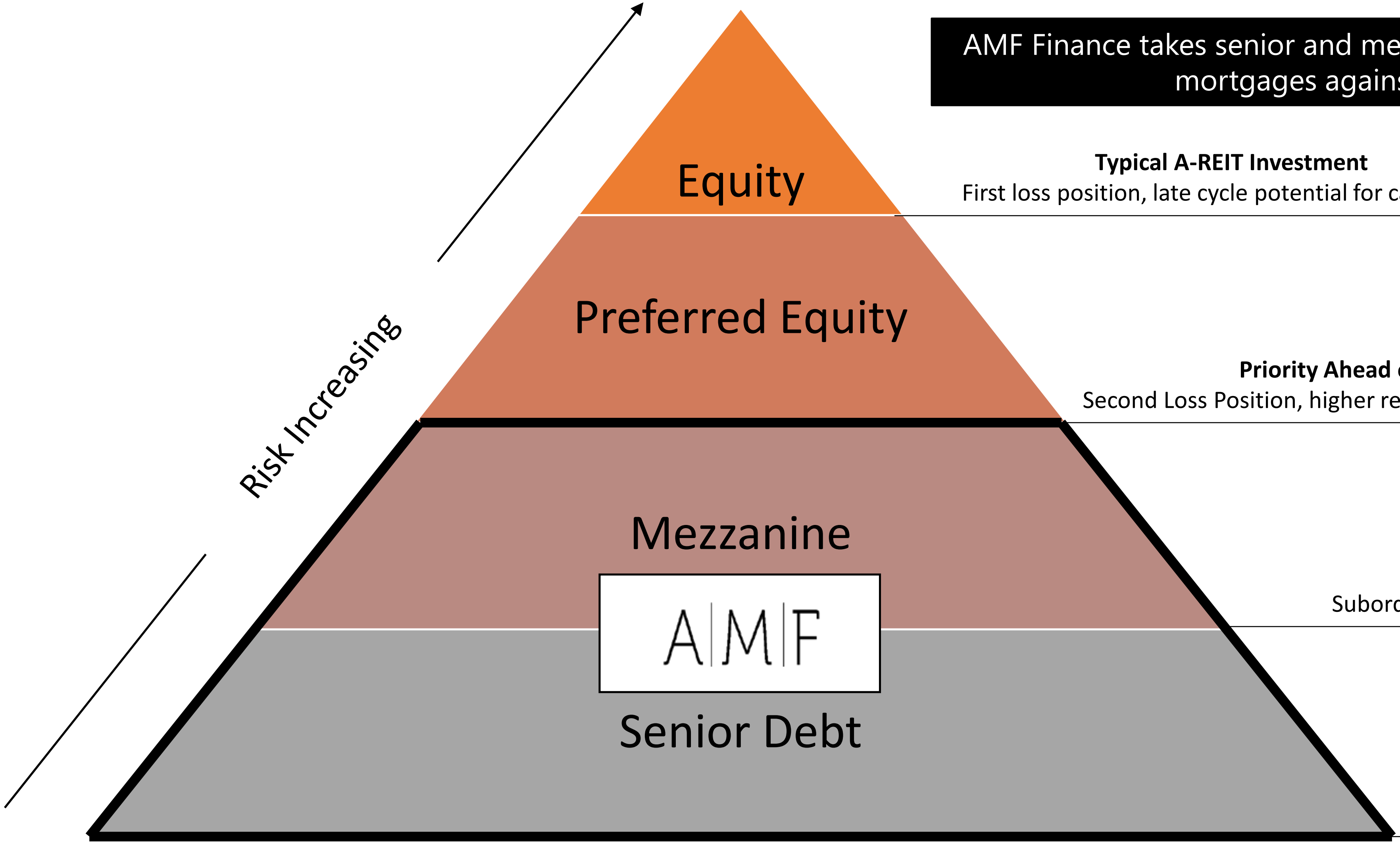


1. Total Unitholder Return is the movement in unit price and distributions (assumed to be reinvested) over the 12-month period

3. Real Estate Credit and AMF Finance

Why Real Estate Credit - the Capital Stack

AMF Finance takes senior and mezzanine positions secured by registered mortgages against the underlying assets



Typical A-REIT Investment
First loss position, late cycle potential for capital loss

Priority Ahead of Typical Equity Investment
Second Loss Position, higher returns not commensurate with late cycle risk

Second Ranking Security
Subordinated to senior/first ranking position

First Ranking Security
First ranking position same as a typical bank mortgage

Why Real Estate Credit - An Example, Melbourne Hotel

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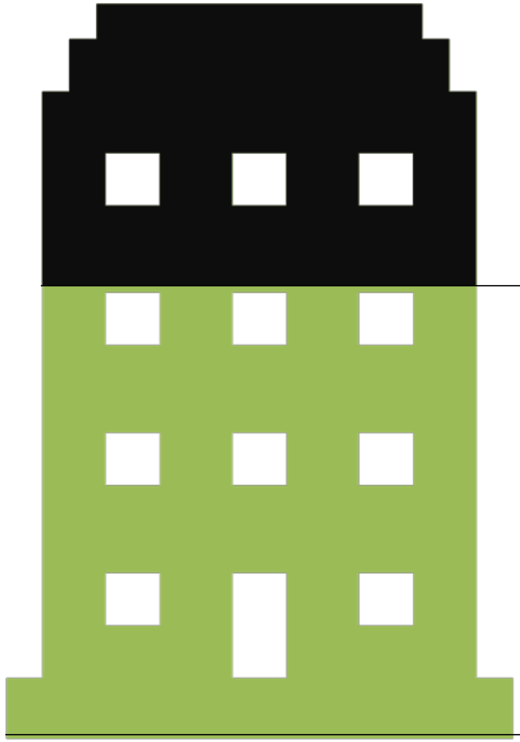
Current Market Valuation
$53.0m@6.5% Cap Rate



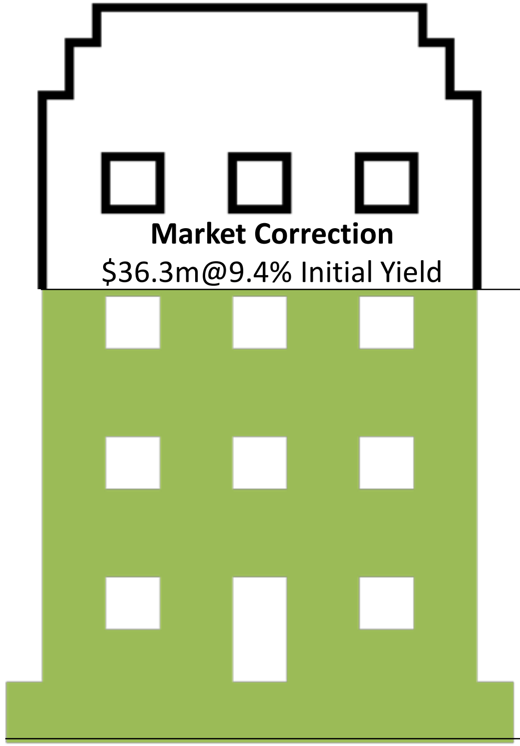
Equity
$16.7m

Debt
$36.3m

Value per room = $327,160
Normalised EBITDA = $3.4m
Initial yield = 6.5%

Market Correction
-31.6% decline in commercial real estate values

Capital buffer if market conditions change



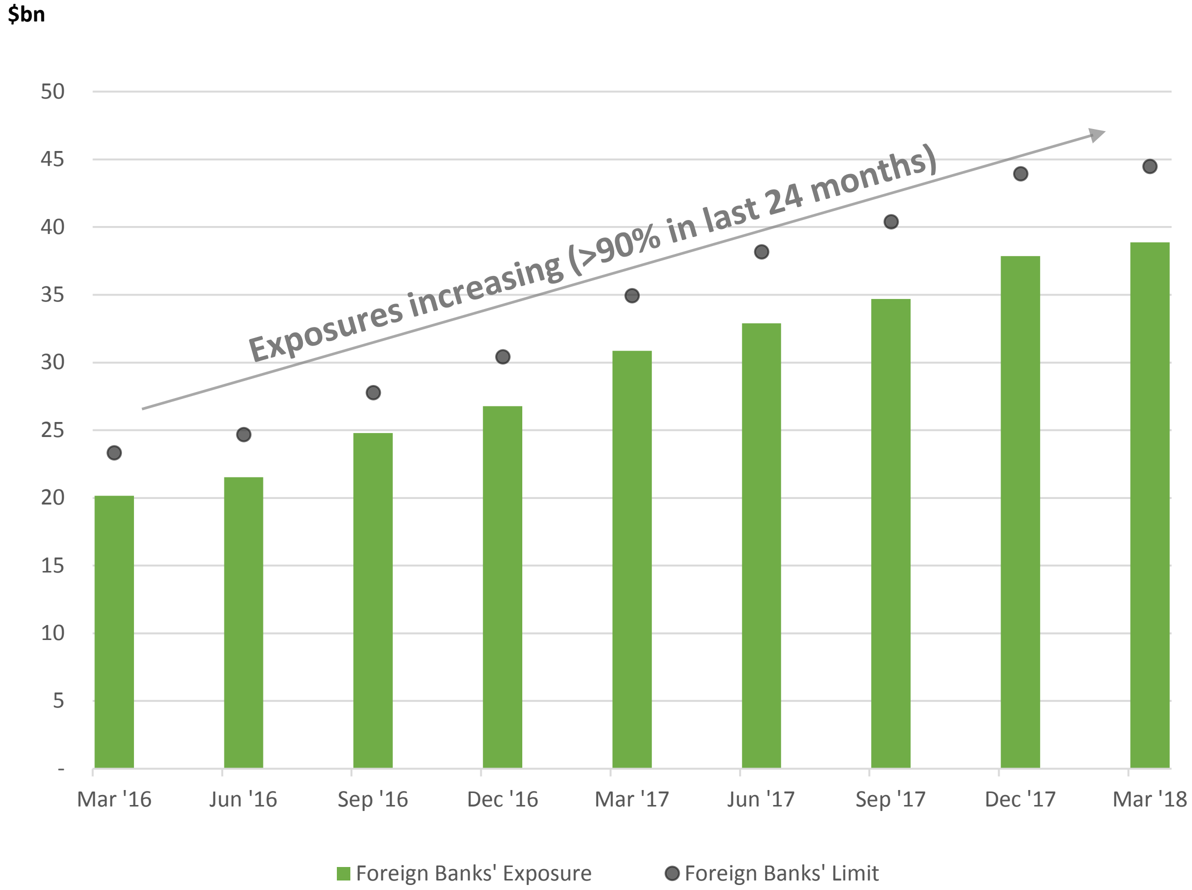
Equity
$0.0m

Debt
$36.3m

Value per room = $327,160
Normalised EBITDA = $3.4m
EBITDA/Debt = 9.4%

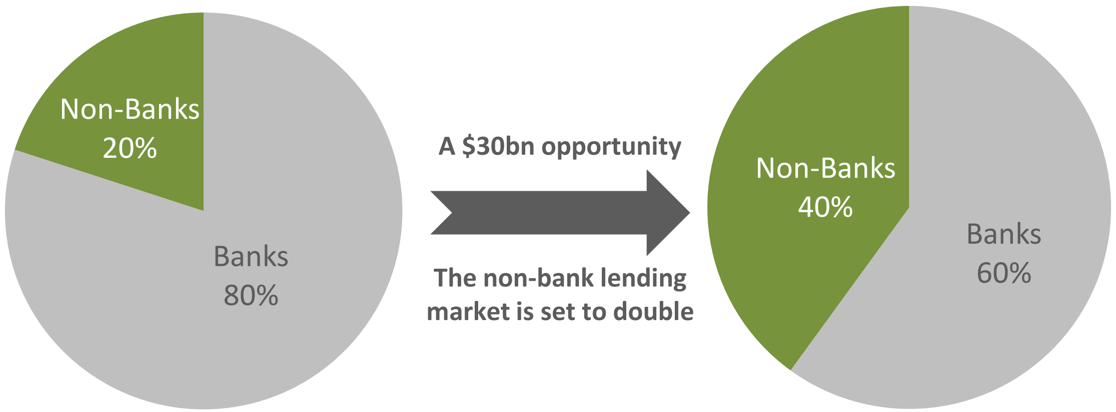
Australia's Evolving Real Estate Credit Market

Foreign Banks Increasing Exposures, a sign of increased regulatory pressures on local major banks



Source: APRA ADI Commercial Property Exposures March 2018

Traditional banks are unable to service the demand for real estate lending, creating a funding gap for non-bank lenders[1]

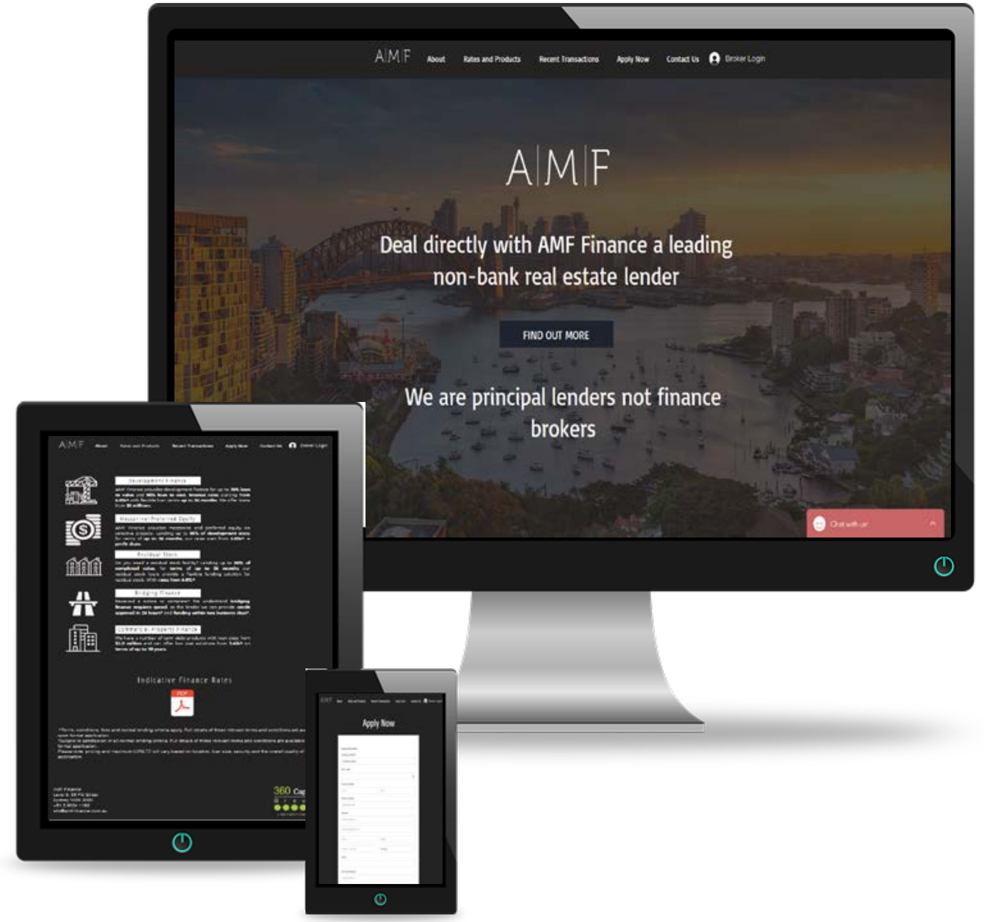


Currently, the market share of commercial real estate debt held by banks is approximately 80%.

It is expected that this share will decline to 60% over time, creating a A$30+ billion opportunity for non-bank lenders[1]

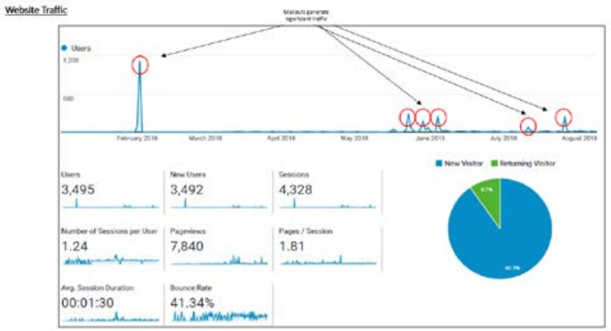
1. Source: Goldman Sachs research 2017

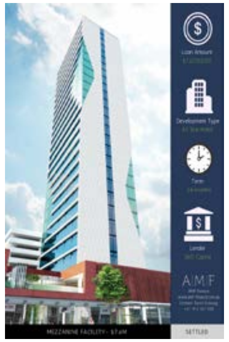
AMF Finance – Origination is Key to Quality Transactions



www.amf-finance.com.au

- Over 7,500 finance brokers get regular updates
- Broker accreditation and login
- Tracks every DA submitted in Australia updated up to four times per day
- Introducer incentivisation program
- On-line applications across eight loan products
- Over 33,000 developer, advisors, agents, architects etc receiving regular correspondence
- Standardised loan documentation; capable of financial close within 24 hours
- Digital marketing strategy has generated significant deal flow and market awareness





AMF Finance – 8 Months of Operation

Snapshot after 8 Months

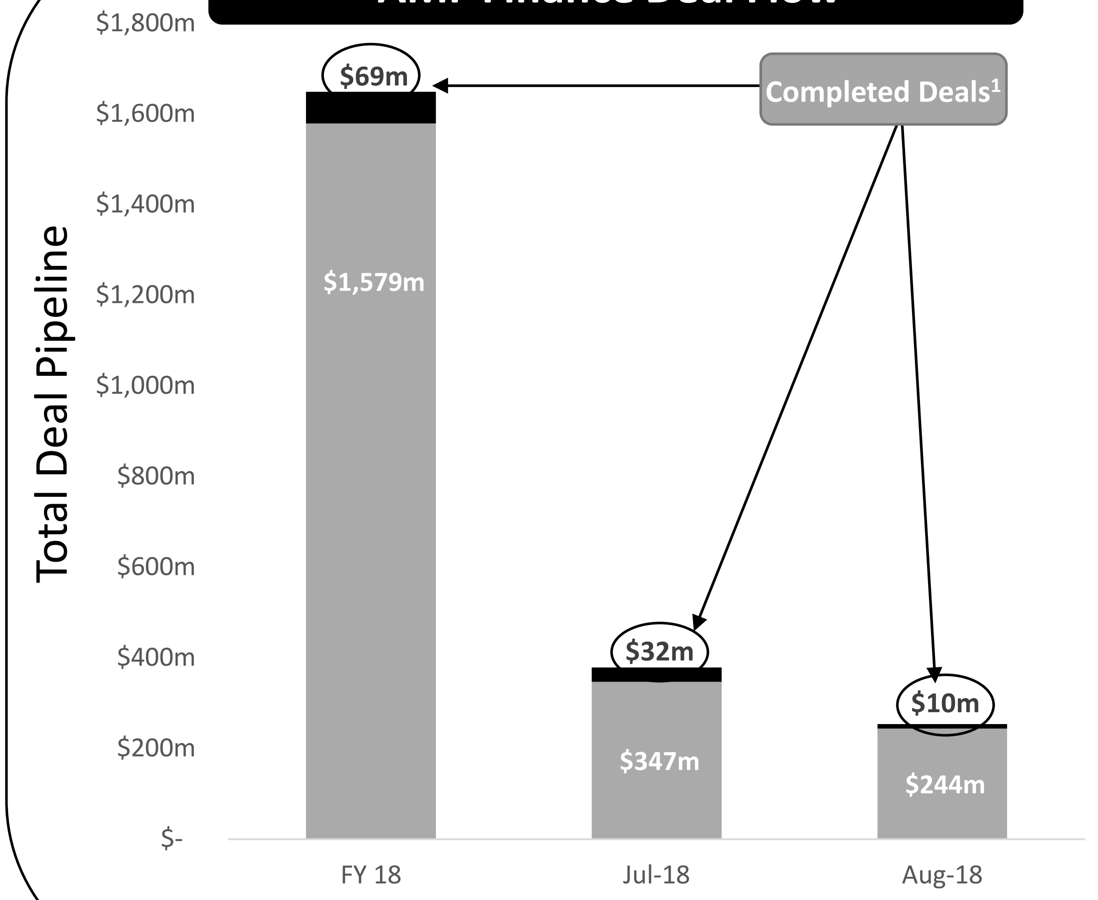
$111.0m
Loan Closed[1]

$2.1m
Gross Revenue[1]

71
Accredited Brokers

588
Monthly Website Visitors

AMF Finance Deal Flow



1. Inclusive of Port Coogee facility (terms agreed)

4. Loan Portfolio

Loan Portfolio

7

Loan Investments[1]

$111.0m

Loan Book[1,2]

$234.9m

Projected End Value[1,2,3]

$77.7m

First loss buffer[1,3,4]

66.1%

Loan to Value Ratio[1,2,3]

11.6%

Average Interest Rate[1,5]

1. Inclusive of Port Coogee facility (terms agreed)
2. Facility amount including capitalised interest and fees
3. Based on "As if Complete" valuation (net of GST)
4. Calculated as "As if Complete" valuation (net of GST) less facility amounts (including capitalised interest and fees) and senior facility on 900 Hay Street, Perth WA
5. Weighed average interest rate inclusive of line-fee and interest margin

Loan Portfolio

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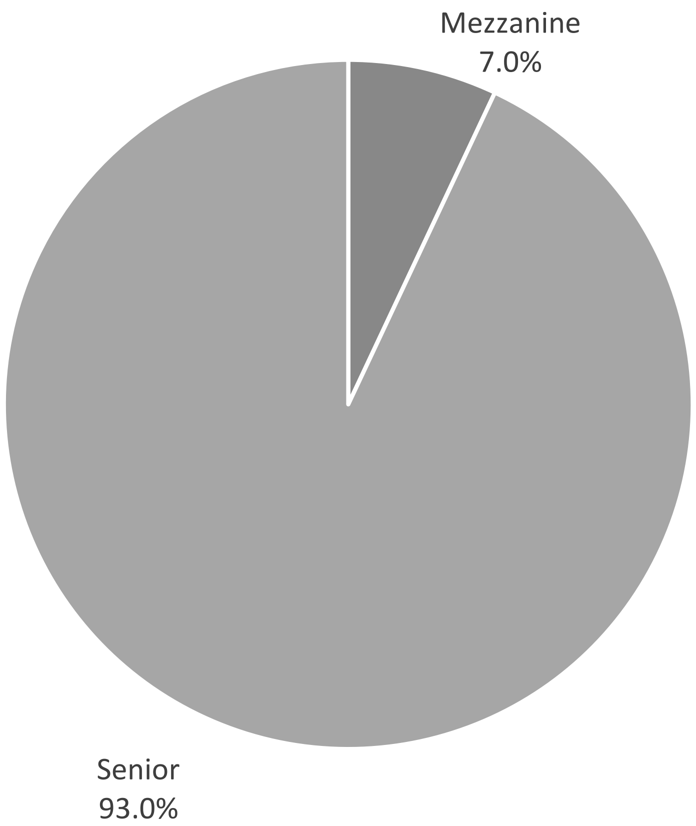
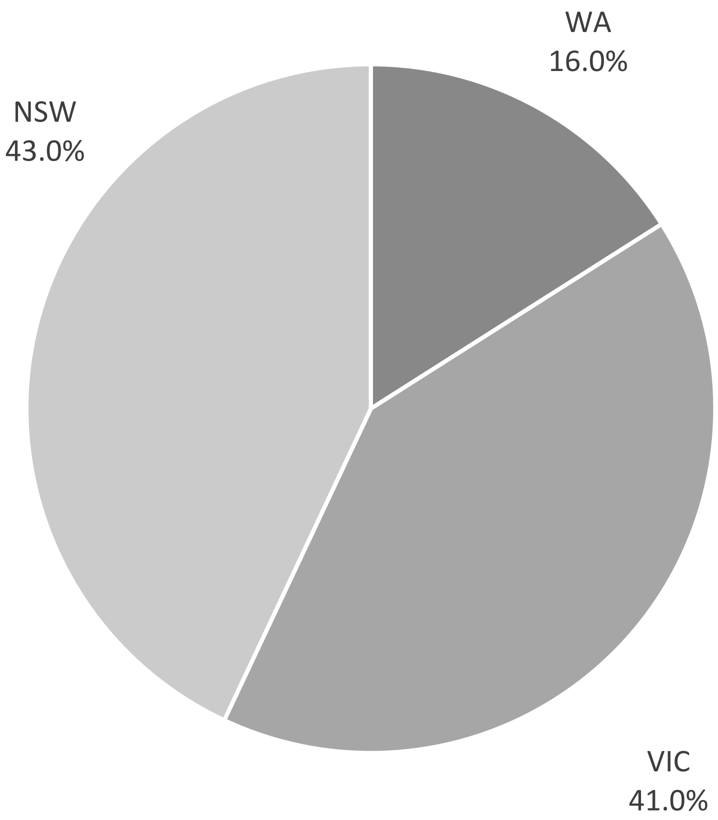
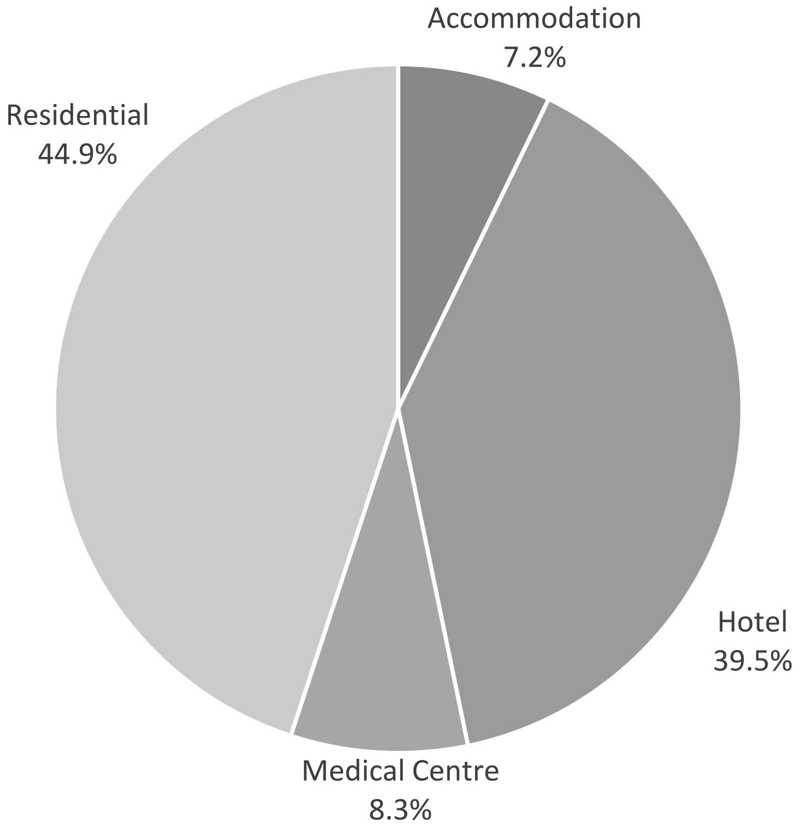
Investment Type[1,2]



Geography[1,2]



Asset Type[1,2]



1. Based on facility amount including capitalised interest and fees
2. Inclusive of Port Coogee facility (terms agreed)

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Hotel

Melbourne Medical Centre

Accommodation

	Hotel	Melbourne Medical Centre	Accommodation
Loan Type	Mezzanine loan	Progressively drawn senior loan	Progressively drawn senior loan
Project Description	Construction of pre-leased hotel in Perth, WA	Development of 2,396 sqm (GLA) medical centre in Sunbury, VIC	Development of 28 room residential accommodation facility in Coogee NSW
Size[1]	✓ Gross Realisation: $76.0m ✓ Facility Amount: $7.6m (70% LVR / 78% LTC)	✓ Gross Realisation: $13.0m ✓ Facility Amount: $9.3m (71% LVR / 82% LTC)	✓ Gross Realisation: $11.4m ✓ Facility Amount: $8.0m (70% LVR / 79% LTC)
Interest Rate	15.0%	✓ 12.0% p.a. month 0-15; ✓ 15.0% p.a. month 15-18	Interest rate / Line fee: 10.0% / 2.0%
Term	24 months	18 months	13 months
Credit Enhancements	✓ Registered 2nd mortgage ✓ Personal guarantees ✓ 2nd Ranking Security Deed ✓ Inter-creditor deed	✓ Registered 1st mortgage ✓ Personal Corporate guarantee ✓ 1st-ranking Security Deed	✓ Registered 1st mortgage ✓ Personal guarantees ✓ 1st-ranking Security Deed
Exit / Repayment	Repaid via refinance with term debt at practical completion	Repaid via refinance with term debt at practical completion	Repaid via refinance with term debt at practical completion

1. Gross Realisation based on “As If Complete” valuation (net of GST)

Loan Portfolio

	Hotel	Residential	Residential
			
Loan Type	Progressively drawn senior loan	Cash advance senior loan	Progressively drawn senior loan
Project Description	Development of 162 room 4-star hotel in Melbourne CBD	Construction of 30 residential apartments in Western Sydney	Development of 94 apartments in South West Sydney
Size[1]	✓ Gross Realisation: $53.0m ✓ Facility Amount: $36.3m (68% LVR / 77% LTC)	✓ Gross Realisation: $16.8m ✓ Facility Amount: $8.2m (49% LVR)	✓ Gross Realisation: $46.7m ✓ Facility Amount: $31.8m (68% LVR / 79% LTC)
Interest Rate	Interest rate / Line fee: 11.0% / 2.0%	Interest rate: 10.0%	Interest rate / Line fee: 8.0% / 2.0%
Term	9 months	7 months	24 months
Credit Enhancements	✓ Registered 1st mortgage ✓ Personal guarantees ✓ 1st-ranking Security Deed	✓ Registered 1st mortgage ✓ Personal guarantees ✓ 1st-ranking Security Deed	✓ Registered 1st mortgage ✓ Personal and director's guarantees ✓ 1st Ranking General Security Deed ✓ Tri-partite deed
Exit / Repayment	Repaid via refinance with term debt at practical completion	Repaid via settlement of sales	Repaid via settlement of sales

1. Gross Realisation based on "As If Complete" valuation (net of GST)

New Investment – Perth Residual Stock (terms agreed)

Property Type	Medium Density Residential Development
Loan Type	Senior
Size[1]	✓ “In-one line” Valuation: $18.0m (excl. GST) ✓ Facility Amount: $9.9m (55% “In-one line”)
Interest Rate	10.0% p.a. capitalising monthly
Term	18 months
Credit Enhancements	✓ Registered 1st mortgage ✓ Parent company guarantee ✓ 1st Ranking General Security Deed
Exit / Repayment	The loan is to be repaid through the sell down of residual stock.

5. Financial Results

Earnings and Distributions

Statutory net profit attributable to securityholders

$2.4m

(2017: $6.7 million)

Statutory net profit attributable to securityholders lower than prior year primarily reflecting unrealised gains on listed investments of $3.6 million in FY17

Operating profit

$5.9m

(2017: $3.1 million)

Operating profit[1] increase in FY18 supported by inclusion of $3.8 million distributable gain[2] on disposal of a listed investment and income from progressive redeployment of capital into non-bank real estate debt investments

Distributions per security (DPS)

9.0cps

(2017: 10.5 cps)

Distributions of 9.0 cps reflects distribution of 100% of operating earnings (EPS) of 9.0 cps for the year

1 Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific non-cash items and significant items.
2 Distributable gain represents the amount available for distribution from the realised gain on disposal of the Fund's IDR Investment.

	FY18 ($'000)	FY17 ($'000)	CHANGE
Distribution income	5	3,636	
Finance income	2,463	82	
Net gain on disposal of financial assets	274	-	
Net gain on fair value of financial assets	9	3,643	
AMF Revenue (Active Returns)	352	-	
TOTAL REVENUE	**3,103**	**7,361**	**(57.8%)**
Operating expenses	(800)	(661)	
Net loss on fair value of financial assets	-	-	
Profit from continuing operations	**2,303**	**6,700**	**(65.6%)**
Income tax benefit	111	-	
STATUTORY PROFIT/(LOSS)	**2,414**	**6,700**	**(64.0%)**
Net gain/(loss) on disposal of financial assets	(274)	-	
Net gain/(loss) on fair value of financial assets	(9)	(3,643)	
Transaction costs	33	43	
Distributable gain on disposal of financial assets [1]	3,752	-	
OPERATING PROFIT (including distributable gains)[1]	**5,916**	**3,100**	**90.8%**
OPERATING EPU (including distributable gain) [1]	**9.0 cpu**	**8.4 cpu**	**7.1%**
DISTRIBUTIONS CPU	**9.0 cpu**	**10.5 cpu**	**(14.3%)**

Assets and Liabilities

Committed

$73.2m

To non-bank lending activities during FY18

The appointment of 360 Capital's dedicated debt team has led to a significant increase in deal flow with the Fund committing to deploy $73.2m across five separate loan investments in FY18

Disposed of Industria REIT stake

$63.4m

IRR 18.3% p.a.

The Fund disposed of its 17% stake in Industria REIT (ASX: IDR) in July 2017 for $63.4 million, delivering securityholders with an Internal Rate of Return (IRR) of 18.3% pa over the two-year investment horizon

Net tangible assets

$1.19

Per security (2017: $1.24)

Net tangible assets (NTA) reduction partly due to distribution of realised gain from disposal of listed investment during the year

	FY18 ($'000)	FY17 ($'000	CHANGE
Cash	40,089	19,858	
Receivables	1	2,204	
IDR investment	-	63,091	
Loans receivable	39,167	-	
AMF Finance Joint Venture[1]	352	-	
Other assets	170	-	
TOTAL ASSETS	**79,779**	**85,153**	**(6.3%)**
Payables	92	88	
Distributions payable	1,482	3,164	
Borrowings	-	-	
TOTAL LIABILITIES	**1,574**	**3,252**	**(51.6%)**
NET ASSETS	**78,205**	**81,901**	**(4.5%)**
Units on issue	65,854	65,925	
NTA PER UNIT	$1.19	$1.24	**(4.0%)**
GEARING	-	-	

1. The value of TOT's 50% interest in AMF Joint Venture is accounted for using the equity method as prescribed by Australian Accounting Standards (AAS).

6. Capital Management

Activation of 360 Capital's Private Capital Network

Focus to make AMF a major Real Estate Credit Provider

Build → Sell → Manage

Initial $100m loan book

Balance Sheet Capital
10% - 15% IRR
Initial Investment Capital - $80m

Recycle and reinvest Balance Sheet Capital

Sell

Securitisation and Sell Down
10%+ IRR product
target wholesale and institutional investors
Co-investment ~10%, recycle 90%

Continue to build loan portfolio and real estate debt investment products

Manage

AMF manages loan book
AMF keeps establishment fee revenue

Distribution Reinvestment Plan

- The Fund will introduce a Distribution Reinvestment Plan (DRP) for the Fund for the quarter ending 30 September 2018.
- The DRP allows securityholders to choose between continuing to receive distributions in the form of cash paid into their banks accounts or having distributions reinvested in additional securities in the Fund.
- Participation in the DRP is completely voluntary.
  - Securityholders can elect to have all, or part, of their securities as participating in the DRP.
- There are no fees, brokerage or other transaction costs for securities acquired under the DRP.
- In addition, securities may be issued at a discount to the Fund's trading price at the time the distribution is made, meaning the DRP may be a cost effective way of increasing an investment in the Fund.
- Securities acquired under the DRP will rank equally with existing securities on issue.

7. Outlook and Guidance

Outlook and Guidance

Market 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
- Capital, robust processes and efficient execution key to returns
- Self liquidating investments provide flexibility should market conditions change

Strategic Objectives

- Continue to increase the market awareness of TOT
- Increase the liquidity of TOT
- Continue to organically grow the AMF Finance business

Target FY19 EPU and DPU Guidance of 12.0 cpu