ASX Release | Media Release

360 Capital Office Fund

7 December 2016

Notice of Meeting and Explanatory Memorandum

360 Capital Investment Management Limited (360CIML) as responsible entity of 360 Capital Office Fund (TOF or the Fund) is pleased to advise the attached Notice of Meeting and Explanatory Memorandum has been dispatched to Unitholders today.

More information on the Fund can be found on the ASX's website at www.asx.com.au using the Fund's ASX code "TOF", on the Fund's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1800 182 257 or emailing investor.relations@360capital.com.au

Alternatively, please contact:

Tony Pitt
Managing Director
360 Capital Group
+61 2 8405 8860

James Storey
Fund Manager
360 Capital Office Fund
+61 2 8405 5675

About 360 Capital Office Fund (ASX code TOF)

360 Capital Office Fund is the only ASX-listed office sector A-REIT focused on suburban A grade and CBD B grade rent collecting properties in Australia in the $30 to $100 million asset value range. The Fund has a diversified $208 million portfolio of three quality assets, a weighted average lease expiry of 4.7 years, occupancy of 99.2%, gearing of approximately 17.8% and a forecast 1H17 distribution of 8.50cpu. 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 the largest unitholder in the Fund with a co-investment stake of circa 30% to ensure ongoing alignment of interests with Unitholders..

About 360 Capital Group (ASX code 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 company actively invests in direct property assets, property securities and various corporate real estate acquisitions within Australian real estate markets on a private equity basis. 360 Capital Group's 15 full time staff have significant property, funds and investment management experience. 360 Capital Group manages nine investment vehicles holding assets valued at over $1.48 billion on behalf of over 12,000 investors and has over $220 million worth of co-investments across the 360 Capital Group.

360 Capital Investment Management Limited
ABN 38 133 363 185
Level 8, 56 Pitt Street
Sydney NSW 2000P
Phone: (02) 8405 8860
Fax: (02) 9238 0354
Web: www.360capital.com.au

7 December 2016

Dear Unitholder,

On the 23 November 2016, 360 Capital Group (360 Capital) entered into a conditional agreement to sell the majority of its funds management platform to Centuria Capital Group (Centuria), including the management rights of 360 Capital Office Fund (Fund) as well as 360 Capital's 28.8% interest in the Fund.

In making this decision, 360 Capital has had to consider many stakeholders across the 360 Capital Group platform. With regard to the Office Fund Unitholders, the sale of the 360 Capital's 28.8% stake to Centuria entities ensures the manager of the Fund remains aligned to Unitholders through its co-investment stake, in line with 360 Capital's philosophy.

Centuria manages a competing AREIT to the Fund, being Centuria Metropolitan REIT which is also listed on the ASX under the code CMA. Centuria has indicated that if the sale of the management rights to the Fund proceeds, Centuria will undertake a strategic review of both CMA and the Fund with a view to potentially merging the two entities to form a larger office fund with greater scale, diversity and liquidity. However, no decision has been made by Centuria as to whether to put forward a merger proposal to Fund Unitholders at this point in time. As a Fund Unitholder, any subsequent merger proposal between CMA and the Office Fund will only proceed with the approval of the requisite number of non-associated Fund Unitholders. In making that decision, Fund Unitholders will be provided with all relevant information at the relevant time.

Independent expert, Lonergan Edwards & Associates Limited, has determined that there are no significant advantages or disadvantages to non-associated Fund Unitholders in this proposal. However, they do state that there are potential disadvantages to Fund Unitholders if the proposal is not approved and it concludes that, on balance, the advantages of the proposal outweigh the disadvantages to non-associated Fund Unitholders.

This Notice of Meeting and Explanatory Memorandum contains additional information, including information about Centuria Capital Group, CMA and a discussion of the advantages and disadvantages of the Proposed Acquisition.

Your vote is important and we encourage you to vote.

Yours Sincerely,

David van Aanholt
Independent Chairman
360 Capital Investment Management Limited as responsible entity for 360 Capital Office Fund

360 Capital Group

Notice of Meeting and Explanatory Memorandum

360 CAPITAL OFFICE FUND

ARSN 106 453 196

Issued by 360 Capital Investment Management Limited
ACN 133 363 185, AFSL 340304
as responsible entity of 360 Capital Office Fund
ARSN 106 453 196

This is an important document and requires your immediate attention.
You should read this document in its entirety before deciding how to vote. If you are in any doubt about what to do, you should consult your legal, investment, taxation and other professional adviser without delay.

Important Notices

What is this document?

This Notice of Meeting and Explanatory Memorandum is dated 7 December 2016 and is issued by 360 Capital Investment Management Limited ACN 38 133 363 185 in its capacity as responsible entity of 360 Capital Office Fund ARSN 106 453 196 (Office Fund).

The purpose of this Notice of Meeting and Explanatory Memorandum is to provide information about the proposed acquisition by CC2OF and CMR1 of the 21,071,706 Units held by 360 Capital Group in the Office Fund (Proposed Acquisition) and to provide such other information considered material to the decision of Members in determining how to vote on the Resolution. All information in this document forms part of the Notice of Meeting.

This Notice of Meeting and Explanatory Memorandum has been prepared in accordance with item 7, section 611 of the Corporations Act 2001, which requires Member approval for the Proposed Acquisition. ASIC Regulatory Guide 74 sets out certain disclosure requirements which have been covered in this document. This includes the requirement to complete an Independent Expert Report prepared in accordance with ASIC Regulatory Guide 111 assessing the advantages and disadvantages of the Proposed Acquisition and whether the consideration provided to 360 Capital Group under the Share Sale Agreement and associated transactions provide any collateral benefit to 360 Capital. The Independent Expert Reports are included in the Explanatory Memorandum and should be read in conjunction with this Notice of Meeting and the rest of the Explanatory Memorandum.

You should read this Notice of Meeting and Explanatory Memorandum in its entirety before making a decision as to how to vote at the Meeting.

No investment advice

The information contained in this Notice of Meeting and Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs. It is important that you read the Notice of Meeting and Explanatory Memorandum in its entirety before making any investment decision and any decision on how to vote on the Resolutions.

Forward looking statements

Some of the statements appearing in this Notice of Meeting and Explanatory Memorandum may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which 360 Capital, the Office Fund, Centuria and their Associates operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. 360 Capital, 360 CIML and the Office Fund, and each of their Associates do not take responsibility or make any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Notice of Meeting and Explanatory Memorandum reflect views held only as at the date of this Notice of Meeting and Explanatory Memorandum.

Responsibility as to information

360 CIML as responsible entity of the Office Fund has prepared, and is responsible for, the 360 Capital Information. Centuria Group, CMA and their officers and advisers do not assume any responsibility for the accuracy and completeness of any of the 360 Capital Information.

Centuria Group and CMA have prepared, and are responsible for, the Centuria Information. 360 Capital, 360 CIML, the Office Fund, and their Associates, and each of their officers and advisers, do not assume any responsibility for the accuracy and completeness of any of the Centuria Information.

Lonergan Edwards & Associates Limited has prepared the Independent Expert Report and takes responsibility for that report and has consented to the inclusion of that report in this Notice of Meeting and Explanatory Memorandum. 360 Capital, 360 CIML, the Office Fund, and their Associates, and each of their officers and advisers, do not assume any responsibility for the accuracy and completeness of the Independent Expert Report.

Defined terms

Capitalised terms used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary in Section 6, unless the context requires otherwise. All times expressed in this Notice of Meeting and Explanatory Memorandum refer to Australian Eastern Daylight Time (AEDT) and references to dollars, $, cents or ¢ are to Australian dollars.

Rounding

A number of figures, amounts, percentages, price, estimates, calculations of value and fractions in this Notice of Meeting and Explanatory Memorandum are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Notice of Meeting and Explanatory Memorandum.

Any questions?

If you have any questions about your holding of Units, please contact the Fund Registry, Boardroom Pty Ltd, on 1800 182 257.

If you have questions on the Resolutions, please contact the **360 Capital Office Fund Meeting helpline** as follows:

Australia toll-free: 1300 648 483
Overseas holders: + 61 3 9415 4275

If you are in any doubt regarding how to vote on the Resolutions or the action to be taken, you should contact your financial, legal, tax or other professional adviser without delay.

Meeting details and important dates

Last time and date for receipt of Proxy Forms	10.00 am Wednesday 28 December 2016
Time and date to determine your eligibility to vote at the Meeting	7.00pm Wednesday 28 December 2016
Time and date of the Meeting	10.00am Friday 30 December 2016
Location of the Meeting	Warrane Theatre Museum of Sydney Cnr Phillip St and Bridge St Sydney NSW 2000

Contents

Letter from the Chairman

On behalf of the Directors of 360 Capital Investment Management Limited (360CIML), the Responsible Entity of 360 Capital Office Fund (Office Fund), it is my pleasure to invite you to a meeting of the Members of the Office Fund to be held at 10.00am (AEDT) on 30 December 2016 at Warrane Theatre, Museum of Sydney, Cnr Phillip St and Bridge St Sydney, New South Wales (Meeting).).

DETAILS OF THE PROPOSAL

On 23 November 2016, 360 Capital Group Limited entered into a Share Sale Agreement for the sale of its property funds management business, 360 CIML, to Centuria Capital.

In conjunction with the Share Sale Agreement, 360 Capital Group also entered into a Unit Sale Deed for the sale of Units held by 360 Capital Group to entities associated with Centuria Capital. These transactions are conditional on each other, meaning one will not occur without the other.

The purpose of this Notice of Meeting is to seek approval of Members of the acquisition of a relevant interest in the 21,071,706 Units held by 360 Capital Group to Centuria Capital and its Associates representing 28.8% (Proposed Acquisition) for a total value of approximately $47.4 million divided between CC2OF and CMR1 as follows:

- 14,648,622 Units, representing 19.99% of the Units in the Office Fund to Centuria Capital (through the sale to CC2OF); and
- 6,423,084 Units, representing 8.76% of the Units in the Office Fund to Centuria Metropolitan REIT (CMA) (through the sale to CMR1).

The Proposed Acquisition will ensure that the interests of the manager of the Office Fund and its Members remain aligned following the sale by 360 Capital Group of 360 CIML. The Share Sale Agreement will not proceed unless the Proposed Acquisition also proceeds.

If the Proposed Acquisition and Share Sale Agreement proceed, a strategic review will be undertaken by 360 CIML and CPFL, which may result in a potential merger of the Office Fund and CMA being proposed. As a Member, you will be able to vote on any future proposal to merge the two funds if that involves the acquisition of your Units. However, no decision has been made regarding the future of the Office Fund and there is no certainty that such a proposal will be forthcoming or the terms of any such proposal.

To assist Members in their consideration of the Proposed Acquisition, the Directors commissioned an Independent Expert, Lonergan Edwards & Associates Limited, to prepare an Independent Expert's Report in relation to the Proposed Acquisition.

The Independent Expert has concluded that there are no significant advantages or disadvantages to Non-Associated Members implicit in the Proposed Acquisition. However, the Independent Expert has determined that there are potential disadvantages to Members if the Proposed Acquisition is not approved. Accordingly, the Independent Expert concludes that on balance, the advantages of the Proposed Acquisition outweigh the disadvantages to the Non-Associated Members.

Reasons to vote in favour of or against the Resolution are set out in section 3 of the Notice of Meeting and Explanatory Memorandum.

YOUR VOTE IS IMPORTANT

The Meeting will be held at 10.00am on Friday 30 December at Warrane Theatre, Museum of Sydney, Cnr Phillip St and Bridge St Sydney NSW 2000. In order to proceed with the Proposed Acquisition, Member approval of the Resolution to be put to the Meeting is required. If you are unable to attend the Meeting, I encourage you to vote by completing the enclosed Proxy Form and returning it to the Fund Registry so that it is received no later than 10.00am on Wednesday 28 December 2016. Your vote is important in determining whether the Proposed Acquisition, and thus the Share Sale Agreement, proceeds. 360 Capital Group, Centuria Capital, CMA and their Associates are not eligible to vote on the Resolution.

The Directors have not made a recommendation to Members as to how they should vote in relation to the Resolution or the Proposed Acquisition, given that the Share Sale Agreement and the Proposed Acquisition may provide benefits to related parties of 360 CIML.

The Directors, at the request of 360 Capital Group, are convening the Meeting and putting the Resolution to the Members in connection with the Proposed Acquisition as they believe it is appropriate for the interests of the manager of the Office Fund to continue to be aligned to the interests of Members through a significant unitholding.

This Notice of Meeting and Explanatory Memorandum contains important information in relation to the Proposed Acquisition, including information about Centuria Capital and CMA.

Please read the Notice of Meeting and the Explanatory Memorandum carefully in its entirety before making your decision and voting (whether in person, by corporate representative or by proxy) at the Meeting.

If you have any queries about the Notice of Meeting, the Explanatory Memorandum or the Proposed Acquisition, please contact your financial, legal or other professional adviser or the 360 Capital Office Fund Meeting helpline as follows:

Australia toll-free: 1300 648 483
Overseas holders: + 61 3 9415 4275

If you have any questions about your holding of Units, please contact the Fund Registry, Boardroom Pty Ltd, on 1800 182 257.

We look forward to seeing you at the Meeting.

Yours sincerely,

David van Aanholt
Independent Chairman
360 Capital Investment Management Limited
as responsible entity of the 360 Capital Office Fund

Notice of Meeting

360 Capital Office Fund

NOTICE IS HEREBY GIVEN by 360 Capital Investment Management Limited ACN 133 363 185 AFSL 340304 as responsible entity of 360 Capital Office Fund ARSN 106 453 196 (Office Fund) pursuant to section 252A of the Corporations Act that a meeting of Members in the Office Fund will be held at the time, date and place detailed below, or such later time and date as notified to Members, to consider and vote on the Resolution in this Notice of Meeting:

Date: 30 December 2016

Time: 10.00am

Place: Warrane Theatre, Museum of Sydney
Cnr Phillip St and Bridge St
Sydney NSW 2000
Australia

Business of the Meeting

Approval of acquisition of Units by Centuria Group

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> *"That, for the purposes of item 7 of section 611 of the Corporations Act 2001 and for all other purposes, approval is given for the acquisition of a relevant interest in 21,071,706 Units by Centuria Group and its Associates in accordance with the Share Sale Agreement and the Unit Sale Deed, and on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

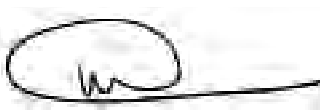
Voting Exclusions

The Responsible Entity will disregard any votes cast on this resolution by Centuria Group, 360 CIML as responsible entity of 360 Capital Group and any Associate of those persons (**Excluded Voters**).

However, the Responsible Entity will not disregard a vote if:

- it is cast by an Excluded Voter as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by an Excluded Voter because they are chairing the Meeting and the vote is being cast as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board



Charisse Nortje
Company Secretary
360 Capital Investment Management Limited
as responsible entity of the 360 Capital Office Fund

Dated: 7 December 2016

Notes about the Meeting and how to vote

THESE NOTES FORM PART OF THE NOTICE OF MEETING

Changing the time and date of the Meeting

The Responsible Entity reserves the right to postpone or adjourn the Meeting to a later time or date. If the Responsible Entity makes such a determination, it will notify all Members by lodging an announcement on the ASX and by placing an announcement on the Office Fund's website at www.360capital.com.au

The Responsible Entity will endeavour to notify Members of any such postponement prior to the original date and time of the Meeting, however, the postponement of the Meeting will not be invalidated by the failure to do so. If the Meeting is adjourned for one month or more, the Responsible Entity will give new notice of the adjourned Meeting.

Quorum

The quorum necessary for the Meeting is two Members, each being a Member present in person, by proxy, attorney, Personal Representative or body corporate representative and the quorum must be present at all times during the Meeting. If a quorum is not present within 30 minutes after the time for the start of the Meeting set out in the Notice of Meeting, the Meeting will be adjourned in accordance with the Corporations Act. If no quorum is present at the resumed Meeting within 30 minutes after the time for the start of the resumed Meeting then the resumed Meeting will be dissolved.

Chairperson

Pursuant to section 252S of the Corporations Act, the Responsible Entity will appoint a person to chair the Meeting.

Voting intentions of the Chairperson

The Chairperson intends to vote all undirected proxies appointing the chair as proxy in favour of the Resolution on a poll (subject to the other provisions of the Notice of Meeting, including the voting exclusions).

Voting

The Resolution is an ordinary resolution and will be decided on a show of hands unless a poll is required by the Corporations Act or properly demanded. The Resolution will be passed if more than 50% of the votes cast by or on behalf of Members entitled to vote on the resolution are in favour of the resolution.

On a show of hands, every person present who is a Member or a proxy, attorney, Personal Representative or body corporate representative has one vote. On a poll, every person present who is a Member or a proxy, attorney, Personal Representative or body corporate representative has one vote for each Unit held by the person, or in respect of which the person is appointed as proxy, attorney, Personal Representative or body corporate representative. A Member entitled to two or more votes does not have to exercise its votes in the same way and does not have to cast all its votes.

Voting Exclusions

The Responsible Entity will disregard any votes cast on this Resolution by Centuria Group, 360CIML as responsible entity of 360 Capital Group and any Associate of those persons (Excluded Voters).

However, the Responsible Entity will not disregard a vote if:

(a) it is cast by an Excluded Voter as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by an Excluded Voter because they are chairing the Meeting and the vote is being cast as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Bodies corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of Members of the Office Fund. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on the Resolution.

An original or certified copy of the representative's appointment should be delivered or presented to the Responsible Entity before the Meeting commences.

Jointly held units

If a Unit in the Office Fund is held jointly, and more than one Member votes in respect of that Unit, only the vote of the Member whose name appears first in the register of Members counts.

Appointment of proxy

If you are entitled to vote at the Meeting you have a right to appoint a proxy to attend and vote at the Meeting on the Member's behalf and may use the Proxy Form enclosed with the Notice of Meeting. The notes on the Proxy Form explain how the form should be completed. The proxy does not need to be a Member of the Office Fund.

If you wish to appoint someone other than the Chairperson of the Meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you do not name a proxy, or your named proxy does not attend the Meeting, the Chairperson of the Meeting will be your proxy and vote on your behalf.

Your proxy has the same rights as you to speak at the Meeting and to vote to the extent you allow on the Proxy Form.

Appointing a second proxy

If you are entitled to cast two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes (ignoring fractions).

Voting directions to your proxy

You may direct your proxy on how to vote on the Resolution. If you do, your proxy does not have to vote, but if your proxy does vote, your proxy must vote as directed. If your proxy has two or more appointments that specify different ways to vote on the Resolution, your proxy must not vote on a show of hands. If your proxy is the Chairperson, the Chairperson must vote on a poll and must vote as directed.

If you do not direct your proxy how to vote, your proxy will vote as it chooses. If you mark more than one box relating to the Resolution any vote by your proxy on that item may be invalid.

Signing instructions

A Proxy Form must be signed by the Member or the Member's attorney. Instructions for signing are on the Proxy Form. If a proxy is signed by an attorney and you have not previously lodged the power of attorney for notation, please attach an original or a certified copy of the power of attorney to the Proxy Form when you return it.

Appointment of proxy under the power of attorney

If a proxy is signed under a power of attorney on behalf of a Member, an original or a certified copy of the power of attorney must be lodged with the Proxy Form and received by the Responsible Entity no later than 10.00am on Wednesday 28 December 2016 at one of the addresses set out below.

Lodgement of proxies and other authorities

In order to be valid, Proxy Forms must be completed and received by no later than 10.00am on Wednesday 28 December 2016.

Proxy Forms and other authorities should be returned by posting them in the reply paid envelope provided or delivering them to one of the addresses below.

By post
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Online
www.votingonline.com.au/TOFegm2016

By facsimile
(02) 9290 9655

By hand
Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Explanatory Memorandum

1 Important Information on the Resolution

1.1 Overview

On 23 November 2016, Centuria Capital entered into a Share Sale Agreement with 360 Capital Group Limited for the sale of its property funds management business through the sale of all the shares in 360 CIML to Centuria Capital and other associated transactions.

In conjunction with the Share Sale Agreement, 360 CIML also entered into a Unit Sale Deed for the sale of the following Units held by 360 Capital Group:

a) 14,648,622 Units in the Office Fund to Centuria Capital (through the sale to CC2OF); and

b) 6,423,084 Units in the Office Fund to CMA (through the sale to CMR1).

(**Proposed Acquisition**)

The Proposed Acquisition will only proceed if 360 CIML is sold pursuant to the Share Sale Agreement and the Share Sale Agreement will not proceed unless the Proposed Acquisition is approved. Completion under the Share Sale Agreement and the Unit Sale Deed are subject to several conditions. Key terms of the Share Sale Agreement and Unit Sale Deed are summarised at section 5 and copies of these agreements are available on the Office Fund's ASX announcement platform at www.asx.com.au.

The purpose of this Notice of Meeting is to seek approval of Members for the acquisition by CC2OF and CMR1 of a relevant interest in the 21,071,706 Units held by 360 Capital Group representing 28.8% of the total number of Units, pursuant to the Proposed Acquisition.

This Explanatory Statement is intended to provide Members with information to assess the merits of the Resolution in the accompanying Notice of Meeting. The Directors encourage Members to read the Explanatory Memorandum in full before making any decision in relation to the Resolution.

1.2 Why is approval required for the Proposed Acquisition

The approval of Members is required because CC2OF and CMR1 are Associates and are seeking to acquire an aggregate relevant interest in more than 20% of the Units in the Office Fund under the Proposed Acquisition.

If the Resolution is passed and the Proposed Acquisition completes, CC2OF and CMR1 as Associates will acquire an aggregate relevant interest in 21,071,706 Units and will have voting power of 28.8% in the Office Fund.

Section 606 of the Corporations Act prohibits CC2OF and CMR1 from acquiring a relevant interest in the Office Fund if the acquisition will result in the voting power of CC2OF, CMR1 and their Associates in the Office Fund increasing above 20%. There is an exception which is contained in item 7, section 611 of the Corporations Act which permits the Proposed Acquisition if it is approved by an ordinary resolution passed at a general meeting of Members, provided that:

a) no votes are cast in favour of the Resolution by CC2OF, CMR1 or 360 Capital Group and their Associates; and

b) the Members were given all information known to 360 CIML as responsible entity of the Office Fund, CC2OF and CMR1 (and their Associates) that is material to the decision on how to vote on the Resolution.

In order to allow CC2OF, CMR1 and their Associates to rely on the exception contained in item 7, section 611 of the Corporations Act in respect of the Proposed Acquisition, the approval of Members is required under the Resolution set out in the Notice of Meeting.

1.3 What has the Independent Expert concluded?

To assist Members in their consideration of the Proposed Acquisition, the Directors commissioned the Independent Expert to prepare an Independent Expert Report in relation to the Proposed Acquisition. A copy of the Independent Expert Report is enclosed with this Explanatory Memorandum and should be read carefully by Members.

The Independent Expert has concluded that on balance there are no significant advantages or disadvantages to Non-Associated Members implicit in the Proposed Acquisition. However, the Independent Expert notes that there are potential disadvantages if the Proposed Acquisition does not proceed. Accordingly, the Independent Expert concludes that on balance, the advantages of the Proposed Acquisition outweigh the disadvantages to the Non-Associated Members.

The Independent Expert has identified the following reasons:

Advantages

- If the Proposed Acquisition proceeds, there will be no change in the voting and ownership interests of Non-Associated Members. 360 Capital Group will be replaced by CC2OF and CMR1, who have indicated a long-term commitment to the Office Fund and the property sector, as the majority unitholder in the Office Fund.
- If the Proposed Acquisition proceeds, it removes the perceived stock overhang which is likely to result if the Proposed Acquisition is not approved.
- If the Proposed Acquisition proceeds, Non-Associated Members are not precluded from participating in any future takeover offer for the Office Fund. Approval of the Proposed Acquisition results in Centuria Capital and CMA, a logical buyer of the Non-Associated Members' interest in the Office Fund, holding (in aggregate) a significant interest in the Office Fund. The potential therefore exists (and is arguably enhanced) for a future corporate transaction in this regard. To that end, CMA has indicated an intention to seek to develop a merger proposal in the near term. However, we note that there are no current discussions between the parties in relation to a possible merger and there is no certainty that such a proposal will be forthcoming.

Disadvantages

- Based on the assessed value of the Office Fund and the recent market trading of the Units, 360 Capital Group is receiving a premium for control for its unitholding in the Office Fund[1], the consideration for which is based on the reported net assets of the Office Fund as at 30 June 2016.
- the acquisition by Centuria Capital / CMA of a 28.8% interest could potentially act as an deterrent to a potential third party acquirer of the Office Fund. However:

  (i) subsequent to the acquisition by Centuria Capital /CMA the position of the non-associated unitholders is arguably unchanged from that which currently exists (as regards to the interest of the majority unitholder in the fund)

  (ii) 360 Capital could sell 19.9% of the units on issue to Centuria Capital, without unitholder approval[2]

  (iii) in the alternative, if 360 Capital were to place its unitholding for sale on-market, downward pressure on the Office Fund unit price is likely to result.

The Independent Expert has also determined that nothing has come to its attention to indicate that the Share Sale Agreement and the associated transactions were not negotiated at arm's length. The Independent Expert concluded that the aggregate consideration in respect of these associated transactions exceeds the (high end) aggregate of its independently assessed fair market values of the securities being acquired, as outlined in the table below:

	Consideration $m	Assessed values (high) $m	Assessed values (low) $m
360 CIML	101.0	84.0	76.0
360 Capital Industrial Fund (TIX)	82.8	86.2	81.2
441 Murray Street Property Trust	3.8	3.9	3.4
Havelock House Property Trust	5.0	5.2	4.5
111 St Georges Terrace Property Trust	30.6	31.7	27.1
Retail Fund No.1	19.6	18.3	16.2
Total	**242.8**	**229.3**	**208.4**

However, nothing has come to the Independent Expert's attention to cause it to believe that the consideration payable under these transactions constitutes a receipt by 360 Capital of a collateral benefit which is inconsistent with a benefit that would generally be expected to arise in association with a merger of two (or more) industry participants in the property funds management sector.

1.4 What do Members need to do?

Members should read this document in its entirety before voting. If you are in any doubt about what to do, you should consult your legal, investment, taxation and other professional adviser without delay.

Your vote is important. The Responsible Entity encourages Members to vote on the Resolution by either attending the Meeting in person or by appointing a proxy to vote on their behalf by lodging a Proxy Form.

All Proxy Forms must be returned to the Fund Registry by 10.00 am on 28 December 2016. Refer to the Notice of Meeting for further details about lodgement of your Proxy Form.

1.5 Voting Exclusions

The Responsible Entity will disregard any votes cast on the Resolution by CC2OF, CMR1 and 360 Capital Group and any Associates of those persons (Excluded Voters). CC2OF is a trust wholly-owned by Centuria Capital Fund and Centuria Investment (the trustee of CC2OF), whilst CPFL (the responsible entity of CMR1) are each wholly-owned subsidiaries of Centuria Capital.

However, the Responsible Entity will not disregard a vote if:

- it is cast by an Excluded Voter as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by an Excluded Voter because they are chairing the Meeting and the vote is being cast as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

1 Because the consideration payable to 360 Capital Group (i.e. $2.25 per Unit) is higher than recent observed (portfolio interest) prices for the Office Fund and is toward the top-end of the Independent Expert's assessed range of values for the Office Fund on a 100% controlling interest basis (i.e. $2.04 to $2.28 per Unit).

2 Whilst we note that a 28.8% unitholder can act to prevent both a takeover and a trust scheme of arrangement and 19.9% unitholder can only block a takeover, in our view, a potential acquirer would consider it commercially unrealistic to seek to implement a scheme of arrangement without the consent of the 19.9% unitholder. Furthermore, we have been advised that should Centuria Capital / CMA acquire a 28.8% interest (as envisaged by the Proposal), Centuria Capital / CMA may be prevented from voting on a trust scheme by virtue of s253E of the Corporations Act.

2 Background to the Resolution

2.1 What is proposed?

360 Capital Group has entered into an agreement to sell the property fund management rights that it has in relation to various 360 Capital funds, including the Office Fund. Centuria Capital has agreed to buy those management rights pursuant to the Share Sale Agreement.

In connection with the Share Sale Agreement, CC2OF (for the benefit of Centuria Group) and CMR1(for the benefit of CMA) wish to acquire 360 Capital Group's holding of 21,071,706 Units in the Office Fund under the Proposed Acquisition.

The Share Sale Agreement will not proceed unless the Proposed Acquisition is approved and the Proposed Acquisition will only proceed if all other conditions to the Share Sale Agreement are satisfied or waived.

The key terms of the Share Sale Agreement and the Proposed Acquisition are summarised in section 5 and copies of these agreements are available on the Office Fund's ASX announcement platform at www.asx.com.au.

2.2 Why is this Resolution being proposed?

Under the Proposed Acquisition, CC2OF, CMR1 and their Associates will acquire an aggregate relevant interest in more than 20% of the Units in the Office Fund and will have voting power over 28.8% of Units in the Office Fund.

As a result, the Proposed Acquisition requires the approval of the Non-Associated Members of the Office Fund for the purposes of item 7, section 611 of the Corporations Act, as described in section 1.2.

2.3 What does the Proposed Acquisition mean for Members?

If the Proposed Acquisition and the Share Sale Agreement proceed:

- the Responsible Entity will continue as the Responsible Entity of the Office Fund, however, the Responsible Entity will be owned by Centuria Group and not 360 Capital Group;
- the intentions of Centuria Capital and CMR1 in relation to the Office Fund are set out in section 4; and
- 360 Capital Group will no longer hold 28.8% of Units in the Office Fund, and those Units will instead be held by CC2OF and CMR1.

2.4 Summary of the Proposed Acquisition and Share Sale Agreement

On 23 November 2016, 360 Capital Group announced that it had entered into a Unit Sale Deed with CC2OF and CMR1 pursuant to which it proposes to sell its holding of 21,071,706 Units in the Office Fund for $2.25 per Unit, a total value of approximately $47.4 million, divided between CC2OF and CMR1 as follows:

- CC2OF will hold 14,648,622 Units, representing 19.99% of the Units in the Office Fund; and
- CMR1 will hold 6,423,084 Units, representing 8.76% of the Units in the Office Fund.

Centuria Investment (the trustee of CC2OF) and CPFL (the responsible entity of CMR1) are each wholly-owned subsidiaries of Centuria Capital. Accordingly, Centuria Investment, and CPFL are Associates for the purposes of the Corporations Act. CPFL will hold its Units as responsible entity of CMA/CMR1, and is therefore obliged to act in the best interests of the members of CMA/CMR1 and to give priority to the interests of those members in respect of its dealings with the Units that it holds.

Centuria Group has undertaken a capital raising concurrently with the Share Sale Agreement to raise approximately $150 million, underwritten by Moelis. In the event that Centuria Group does not receive the approval of securityholders for the placement of securities, then:

- Moelis or its nominees will acquire 13,556,754 Units, representing 18.5% of the Units on issue;
- CMR1 will acquire 6,423,084 Units, representing 8.76% of the Units on issue; and
- 360 CIML will continue to hold 1,099,749 Units, representing 1.5% of the Units on issue.

Centuria has confirmed that there is no other arrangement with Moelis and that they are not considered Associates for the purposes of the Corporations Act.

In addition to the Proposed Acquisition, 360 Capital Group and Centuria Group announced that they had entered into the Share Sale Agreement pursuant to which it is proposed that Centuria Capital will acquire shares in 360 CIML, 360 Capital's property funds management platform, and its co-investment stakes in a number of 360 CIML managed investment trusts, including:

- the 360 Capital Industrial Fund (TIX);
- the 360 Capital 441 Murray Street Property Trust;
- the 360 Capital Havelock House Property Trust;
- the 360 Capital 111 St George's Terrace Property Trust; and
- the 360 Capital Retail Fund No. 1

360 Capital Group will also provide Centuria Funds Management with a 5.0% per annum interest only loan for $50.0 million for a term of 18 months.

When 360 Capital Group commenced discussions with Centuria in connection with the transactions contemplated by the Share Sale Agreement, it was also proposed that 360 CIML and CPFL investigate a potential merger (whether by takeover bid or a "trust scheme") on a NTA-to-NTA basis and in the interests of both CMA and Office Fund securityholders. It was not proposed that the sale of management rights and co-investment interests under the Share Sale Agreement be conditional on any such merger proposal being approved by Members. However, ultimately any such transaction in relation to the Office Fund would be subject to approval of Members.

360 CIML and CPFL explored the potential merger initially with the intent that the proposed terms be announced at the same time as the Share Sale Agreement was announced. The Office Fund and CMA considered alternatives based on the consideration to be offered to be predominantly scrip and reflective of the respective NTA value of the underlying property portfolios. Alternatives included a proposal whereby Members would, based on the respective NTAs of CMA and the Office Fund, have been offered 0.86 CMA securities and 38 cents cash per Unit.

However, there was no agreement as to terms on which a proposal would be put to Members and discussions ceased. There were a number of reasons why 360 CIML and CPFL were unable to reach agreement about the terms of any proposed merger. Those reasons included uncertainty regarding a number of the following factors:

- whether Member approval would be obtained for the acquisition of a 28.8% stake by Centuria and CMA (without which the merger would not proceed);
- a degree of uncertainty about the composition of the portfolios of the Office Fund and CMA (given their then intended asset acquisition and disposal plans);
- the impact of significant leasing initiatives being undertaken by CMA and the Office Fund on the value of certain assets;
- the inability to complete due diligence and obtain required revenue rulings within the necessary timeframes; and
- the volatility of the financial markets, the negative investor sentiment regarding REITs and the unknown impact that the US election may have on any proposal.

Accordingly, there is no reason to assume that that any future merger proposal for the Office Fund will be on the same, or similar, terms as those previously discussed. If a merger of the Office Fund and CMA had proceeded on an NTA-to-NTA basis based on the most recent financial statements of both entities, Members would have received consideration (assuming any CMA scrip was valued at NTA) of approximately Office Fund NTA, being $2.25 per Unit. This compares to the consideration being received by 360 Capital Group under the Unit Sale Deed of $2.25 per Unit (being the same value per Unit but involving predominantly scrip rather than the cash being paid under the Unit Sale Deed). That merger proposal is not proceeding. If a scrip or predominantly scrip merger does occur in the future, the market price of the scrip received by Members will depend on, amongst other things, the terms of any merger proposal, the value of the two funds and market and trading conditions at that time.

Again subject to a number of uncertainties (such as those referred to above), CMA intends to seek to develop a merger proposal in the near term. Given the uncertainties there can be no guarantee that a merger will be proposed or, if proposed, that it will be successful nor can there be any certainty about the terms of any proposal.

2.5 What happens if the Resolution is not approved?

If the Resolution is not approved by Members, then:

- the Proposed Acquisition will not occur and CC2OF and CMR1 will not acquire 21,071,706 Units from 360 Capital Group;
- the Share Sale Agreement will not proceed and 360 Capital Group will continue to own the Responsible Entity of the Office Fund; and
- the Office Fund will continue to be managed by the Responsible Entity in line with its current mandate.

2.6 Interests of the Directors of the Responsible Entity and related parties of the Responsible Entity

The following Directors of the Responsible Entity have an interest in the Share Sale Agreement and the Proposed Acquisition as a result of their holdings in the following entities.

360 Capital Group

Name of Directors	Fully paid securities	Ownership %
David van Aanholt	249,000	0.10%
Tony Robert Pitt	53,250,000	22.22%
William John Ballhausen	400,000	0.17%
Graham Ephraim Lenzner	240,000	0.10%
Andrew Graeme Moffat	550,000	0.23%

TIX

Name of Directors	Fully paid units	Ownership %
David van Aanholt	36,012	0.02%
Tony Robert Pitt	925,998	0.44%
William John Ballhausen	110,000	0.05%
Graham Ephraim Lenzner	93,318	0.04%
Andrew Graeme Moffat	98,913	0.05%

Office Fund

Name of Directors	Fully paid units	Ownership %
David van Aanholt	15,742	0.02%
Tony Robert Pitt	110,000	0.15%
William John Ballhausen	50,000	0.07%
Graham Ephraim Lenzner	Nil	–
Andrew Graeme Moffat	Nil	–

360 Capital Group owns the Responsible Entity and will receive consideration under the Share Sale Agreement,

the Proposed Acquisition and the sale of the associated co-investment stakes if approved.

As has been agreed in the Share Sale Agreement, if the Share Sale Agreement and the Proposed Acquisition proceed, all of the Directors of the Responsible Entity will resign and be replaced with persons nominate by Centuria Group.

3 Reasons to vote in favour or against the Resolution

3.1 Reasons to vote in favour of the Resolution

Set out below is an outline of the key reasons why you might consider voting in favour of the Resolution.

1. If the Proposed Acquisition is approved, the interests of the manager and Members will be aligned

Given 360 Capital Group is proposing to sell a part of its property funds management business, including the management rights in the Office Fund, to Centuria Capital, it is desirable that 360 Capital also sells its significant ownership interest in the Office Fund as part of the transaction.

The Proposed Acquisition will ensure that the interests of the manager of the Office Fund and its Members remain aligned following the sale by 360 Capital Group of 360 CIML under the Share Sale Agreement to Centuria Capital. CC2OF and CMR1 will be the largest Members of the Office Fund, with their combined 28.8% holding.

2. The Independent Expert has concluded that on balance, the advantages of the Proposed Acquisition outweigh the disadvantages to the Non-Associated Members

The Independent Expert has concluded that on balance there are no significant advantages or disadvantages to Non-Associated Members implicit in the Proposed Acquisition. However, the Independent Expert notes there are potential disadvantages if the Proposed Acquisition does not proceed. Accordingly, the Independent Expert concludes that on balance, the advantages of the Proposed Acquisition outweigh the disadvantages to the Non-Associated Members. The Independent Expert has reached its conclusions based on the advantages and disadvantages of the Proposed Acquisition summarised in section 1.3. For a detailed analysis, refer to the Independent Expert Report enclosed with this Explanatory Memorandum.

The Independent Expert has also determined that nothing has come to its attention to indicate that the Share Sale Agreement and the associated transactions were not negotiated at arm's length. The Independent Expert concluded that whilst the aggregate consideration in respect of these transactions exceeds the aggregate of its independently assessed fair market values of the securities being acquired (refer to section 1.3), nothing has come to its attention to cause it to believe that the consideration payable under those associated transactions constitutes a receipt by 360 Capital of a collateral benefit which is inconsistent with a benefit that would generally be expected to arise in association with a merger of two (or more) industry participants in the property funds management sector.

3. The Proposed Acquisition does not result in Centuria holding a greater interest in the Office Fund than that which is held by 360 Capital

360 Capital currently holds a 28.8% stake. The sale to CC2OF and CMR1 does not result in Centuria holding a greater interest in the Office Fund than that which is held by 360 Capital. As such, the transaction does not, in itself, represent a greater impediment to any future control transactions than that which already exists.

3.2 Reasons why you may consider voting against the Resolution

Set out below is an outline of the key reasons why you might consider voting against the Resolution.

1. The Proposed Acquisition allows 360 Capital to sell all of its Units for cash

The Proposed Acquisition allows 360 Capital Group to sell its Units for cash at a price which the Independent Expert believes provides a premium for control for its Units, based on the assessed value of the Office Fund and the recent market trading of Units, 360 Capital would receive a premium of 6 cents per Unit for its Unitholding in the Office Fund[1]. CC2OF and CMR1 are not offering to buy Units from other Members for same consideration.

2. The Proposed Acquisition may deter a third party control proposal for the Office Fund

The Proposed Acquisition may have an adverse impact on the willingness of a third party to put forward a proposal to all Members to acquire their Units, since CC2OF and CMR1 together will hold 28.8% of Units.

However, given 360 Capital Group currently holds a 28.8% stake, the sale to CC2OF and CMR1 may not be considered to provide any greater impediment to a control proposal than that which currently exists.

3. Centuria Group's and CMA's intentions may change

A summary of the intentions of Centuria Group and CPFL as responsible entity of CMA in respect of the Office Fund if the Proposed Acquisition completes is set out in section 4. Centuria Group's intentions have been formed on the basis of facts and information concerning the Office Fund and the general business environment which is known to Centuria Group and CMA as at the date of this Notice of Meeting. Centuria Group has indicated that final decisions on these matters will be made by it in light of all material facts and circumstances at the relevant time and following a strategic review. Accordingly, Centuria Group's and CMA's intentions may change as new information becomes available or as circumstances change.

However, the implementation of any change that Centuria Group and CMA may seek to make would be subject to the Corporations Act and ASX Listing Rules and the legal obligations of the responsible entity of the Office Fund to act for proper purposes and in the best interests of Members as a whole.

1 Based on the one month volume weighted average price of Units for the period up to and including 26 October 2016, being the last trading day prior to speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria (and their related funds).

3.3 Are the Directors making a recommendation?

The Directors have not made a recommendation to Members as to how Members should vote in relation to the Resolution or the Proposed Acquisition, given that the Share Sale Agreement and the Proposed Acquisition may provide benefits to related parties of the Responsible Entity.

360 CIML and its Directors are, at the request of 360 Capital Group, convening the Meeting and putting the Resolution to Members in connection with the proposed sale of the property funds management business by 360 Capital Group pursuant to the Share Sale Agreement.

In doing so they have considered:

- the arguments for and against the Resolution as set out in this paper;
- the analysis and conclusions of the Independent Expert, including the conclusion that there are potential disadvantages if the Proposed Acquisition does not proceed, and that on balance, the advantages of the Proposed Acquisition outweigh the disadvantages to the Non-Associated Members;
- the fact that the transactions contemplated by the Share Sale Agreement may have otherwise substantially proceeded through 360 Capital selling 19.9% of Units without Member approval;
- any subsequent merger proposal between CMA and the Office Fund will only proceed with the approval of the requisite number of Non-Associated Members. In making that decision, Members will be provided with all relevant information at the relevant time;
- although Centuria holding 28.8% of the units in TOF may potentially discourage or block alternative TOF control transactions, this is not dissimilar to the current situation where 360 Capital holds 28.8%;
- in participating in formulating any merger proposal, the Responsible Entity of the Office Fund, 360 CIML, will need to comply with its statutory and fiduciary duties to act in the best interests of Members;
- it is appropriate for the interests of the manager of the Office Fund to continue to be aligned to the interests of Members through a significant unitholding;
- as noted by the Independent Expert, there is benefit to Members in the potential for CMA to progress a merger proposal.

However, the Directors consider that the identity of the manager and Responsible Entity of the Office Fund is a matter to be determined by Members, taking into account the information provided in the Explanatory Memorandum, the Independent Expert Report and their own assessment of the relative merits of 360 Capital Group as current owner of the manager of the Office Fund compared with Centuria Group's intentions as owner of the Responsible Entity of the Office Fund and CMA's intentions as owner of a significant parcel of Units.

4 Details about Centuria

4.1 Overview of Centuria Group

Centuria Group is an ASX listed stapled entity whereby units in Centuria Capital Fund are stapled to shares in Centuria Capital. Centuria Group is a specialist property and investment fund manager with approximately $2.2 billion in funds under management across 14 unlisted property funds and one listed fund.

Upon the completion of the Proposed Acquisition and Share Sale Agreement, Centuria Group's total funds under management will increase to approximately $3.6 billion across 18 unlisted property funds and three listed funds.

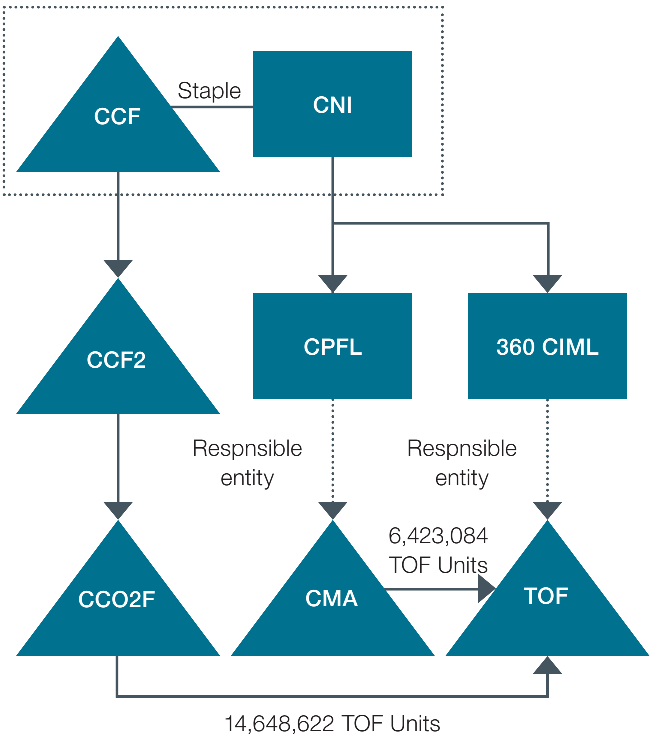
Centuria Group has been operating, acquiring, managing and transacting in office and industrial investment assets in the Australian market for 18 years. It is one of Australia's leading property fund managers, offering an end to end internal property capability, with a diversified product offering.

CPFL is a wholly-owned subsidiary of Centuria Capital, and is the responsible entity for CMA. CMA is an ASX listed stapled REIT with a market capitalisation of approximately $248 million (based on the closing price of CMA Stapled Securities on 22 November 2016).

CMR1 focuses on investing in real estate assets in metropolitan markets across Australia and holds a portfolio of assets valued at $398.7 million diversified across Sydney, Brisbane, Canberra and Adelaide.

Centuria Investment is the trustee of CC2OF. Centuria Group owns all of the shares in Centuria Investment and all of the Units in CC2OF.

A corporate structure diagram for Centuria Group is provided below assuming the successful completion of the Proposed Acquisition and Share Sale Agreement.



4.2 Background

Under the Share Sale Agreement, 360 CIML, which is the Responsible Entity of the Office Fund, will be acquired by Centuria Capital.

Under the Proposed Acquisition, the 21,071,706 Units owned by 360 Capital Group will be acquired and held by two separate entities:

- CC2OF will acquire 14,648,622 Units, representing 19.99% of the Units in the Office Fund; and
- CMR1 will acquire 6,423,084 Units, representing 8.76% of the Units in the Office Fund.

Even though Centuria Investment and CPFL are both subsidiaries of Centuria Capital, they will make their respective investments in the Office Fund as trustee and responsible entity (respectively) of two separate funds (CC2OF and CMR1).

If the Proposed Acquisition and the Share Sale Agreement proceed, CC2OF, CMR1 and their Associates will increase their voting power by 28.8% in the Office Fund as a result of the Proposed Acquisition.

In dealing with the Units:

- Centuria Investment must act in, and have decided to acquire the 19.99% interest in the Office Fund having regard solely to, the best interests of the unitholders of CC2OF (which is Centuria Group); and
- CPFL must act in, and have decided to acquire the 8.76% interest in the Office Fund having regard solely to, the best interests of the CMA Stapled Securityholders.

CPFL recognises its responsibilities in relation to conflicts of interest and related party transactions and has a conflicts of interest policy in place that governs the way in which CPFL manages such transactions or conflicts.

Through the application of this policy, CPFL is committed to:

- identifying and monitoring all potential conflicts of interest;
- avoiding conflicts of interests wherever this is the only way to properly protect investors' interests;
- taking appropriate steps to ensure the fair treatment of CMR1 and all investors potentially impacted by the conflict; and
- dealing in an open manner and disclosing its conflicts of interest wherever this is likely to be relevant to investors.

Other than as described in this section, there are no agreements, arrangements or understandings between Centuria Group and CMR1 in relation to the voting or disposal of the Units to be acquired if the Proposed Acquisition proceeds.

4.3 Centuria's intentions

This section contains details of the current intentions of the Centuria Group entities with an interest in the Proposed Acquisition and the Share Sale Agreement. These intentions may change over time and no Centuria Group entity, or CPFL as the responsible entity of CMA is obliged to provide updated information in relation to their intentions should they change.

These intentions are not undertakings by the Centuria Group entities or CPFL to act in any particular way with respect to the Office Fund.

4.3.1 Centuria Group's intentions

Centuria Group regards the acquisition of the 19.99% Units in the Office Fund as a strategic investment. This investment is consistent with Centuria Group's strategic objectives:

- in undertaking the Share Sale Agreement and increasing the scale of Centuria Group's activities and its funds under management;
- to demonstrate an alignment of interest with the Members through co-investment;
- to benefit from the distribution of income on the 19.99% of Units, which will increase Centuria Group's recurring income; and
- to obtain a level of voting influence in the Office Fund's future arising from a significant holding of the Units.

Centuria Group expects to derive management fees from 360 CIML managing the Office Fund. Accordingly, it has both an economic and strategic interest in retaining the Office Fund management rights. If a proposal is put forward such that 360 CIML could be removed as the Responsible Entity of the Office Fund, and result in 360 CIML losing the Office Fund management rights, Centuria Group would look to protect those management rights through active engagement with the Members and exercising its voting rights associated with its 19.99% interest in the Office Fund.

Centuria Group, through CPFL (a subsidiary of Centuria Group) is the responsible entity for CMA. Assuming the Proposed Acquisition and Share Sale Agreement proceeds, Centuria Group is open to considering a potential merger between CMA and the Office Fund. However, there are no current discussions between the parties in relation to a possible merger. Should any merger proposal eventuate, Members will be provided with all relevant information at that time.

Centuria Group and CPFL will implement an appropriate corporate governance framework to manage any perceived conflicts and to ensure that the best interests of both the Members and CMA Stapled Securityholders are independently considered and promoted.

On completion of the Share Sale Agreement, the directors of 360 CIML will resign and be replaced by the current directors of CPFL. The Profiles of these board members are outlined in section 4.4.

If the Proposed Acquisition proceeds, Centuria Group's current intentions in relation to its 19.99% of holding in the Office Fund are to:

- maintain the investment as a long term strategic investment;
- maximise the return on Centuria Group's investment through supporting active asset management and strategic initiatives;
- vote its Units in the Office Fund in Centuria Group's favour, if a corporate action arises and in particular, to support a

merger proposal between CMA and the Office Fund (assuming that the terms are otherwise satisfactory to Centuria Group); and

- support the on-going management of the Office Fund 360 CIML. Centuria Group expects that it will generally (but not necessarily always) agree with the decisions of 360 CIML.

Other than as disclosed above or elsewhere in this section 4, Centuria Group:

- has no current intention of making any significant changes to the existing business of the Office Fund;
- has no current intention to inject further capital into the Office Fund;
- has no current intention to significantly change the financial or dividend policies of the Office Fund;
- has no current intention of making changes regarding the future employment of the Office Fund's present employees;
- does not currently intend that any property will be transferred between the Office Fund and itself or any person associated with it; and
- has no current intention to otherwise redeploy the fixed assets of the Office Fund.

4.3.2 CMA's intentions

If the Proposed Acquisition and the Share Sale Agreement proceeds, CMA will acquire an 8.76% interest in the Office Fund which represents an investment of approximately $14.5 million. The Office Fund's property portfolio is complementary to CMA's property portfolio. Accordingly, the acquisition of the 8.76% interest in the Office Fund represents an investment in, and exposure to, similar underlying assets for CMA Stapled Securityholders.

If the Proposed Acquisition is approved and proceeds, CMR1's current intentions in relation to its 8.76% of holding in the Office Fund are as follows:

- to maintain the investment as a long term strategic investment;
- to maximise the return on CMA's investment through supporting active asset management and strategic initiatives;
- to vote the 8.76% interest in the Office Fund in, and having regard solely to, the best interests of CMA Stapled Securityholders if a corporate action was to arise; and
- to support the on-going management of the Office Fund by 360 CIML. CMR1 expects that it will generally (but not necessarily always) agree with the decisions of 360 CIML.

CPFL believes that the property portfolios of CMA and the Office Fund are highly complementary and it is currently CPFL's intention to consider a potential merger of the Office Fund and CMA at some time in the future. Any proposal will need to be in the best interests of both Members and CMA Stapled Securityholders. There are no current discussions between the parties and at this stage, no terms or other details in relation to any potential merger have been determined. Subject to a number of uncertainties (such as those referred to below), CMA intends to seek to develop a merger proposal in the near term. Given the uncertainties there can be no guarantee that a merger will be proposed or, if proposed, that it will be successful, nor can there be any certainty about the terms of any proposal.

There are a number of factors which will be considered in determining what terms may apply to any future merger proposal, the timing of any such proposal and indeed whether any merger will proceed at all. Any future transaction would be determined by a number of matters including consideration and analysis of:

- the respective property portfolios of CMA and TOF;
- the financial position of CMA and TOF;
- recent market volatility, particularly in the REIT sector; and
- broader economic conditions, including the impact of the US election and interest rate movements domestically and internationally.

CPFL will put in place appropriate corporate governance arrangements to ensure that the interests of the Members and CMA Stapled Securityholders are independently considered and promoted in relation to any merger proposal. The responsible entities of CMA and the Office Fund must respectively act in the best interests of the CMA Stapled Securityholders and the Members. Should any merger proposal eventuate, Members will be provided with all relevant information at that time.

CPFL will, if eligible, vote its 8.76% interest in the Office Fund solely for CMA's benefit.

Other than as disclosed above or elsewhere in this section 4, CMR1:

- has no current intention of making any significant changes to the existing business of the Office Fund;
- has no current intention to inject further capital into the Office Fund;
- has no current intention to significantly change the financial or dividend policies of the Office Fund;
- has no current intention of making changes regarding the future employment of the Office Fund's present employees;
- does not currently intend for any property to be transferred between the Office Fund and itself or any person associated with it; and
- has no current intention to otherwise redeploy the fixed assets of the Office Fund.

4.4 Board and Senior Management

As noted above, upon completion of the Share Sale Agreement, the existing directors of 360 CIML will resign from the 360 CIML board and be replaced by the current directors of CPFL, who are identified below.

The board of directors of CPFL have many years of proven expertise in real estate, banking and finance, financial planning and investment management. A broad and multi-dimensional approach, together with significant investment experience, particularly in the banking and finance arena, ensures the board has the necessary skills in mitigating risk and protecting capital.

CPFL's Board is well supported by a dedicated management team who are able to draw on broader resources of the Centuria Group.

No directors of Centuria Group, CPFL or Centuria Investment have any interest in the acquisition or any relevant agreement in connection with the Share Sale Agreement and the Proposed Acquisition.

4.4.1 Centuria Group Board and Senior Management

The Board of Directors of Centuria Group are below.

Garry Charny, Chairman

Garry Charny was appointed Chairman of the Centuria Board in March 2016; He is currently the Managing Director and founder of Wolseley Corporate and Chairman of Spotted Turquoise Films. He practiced at the Sydney Bar from 1983 to 1995. Garry has had extensive board experience in both listed and unlisted companies across a diverse range of sectors including property, retail, technology and media.

Garry holds a Bachelor of Laws from UNSW.

Peter Done, Non-Executive Director & Chairman of CPFL

Peter Done is Independent Chairman of Centuria Property Funds Limited, appointed to the Board of CPFL in 2007. Previously Partner at KPMG for over 27 years, Peter is a Fellow of the Institute of Chartered Accountants Australia.

Peter holds a Bachelor of Commerce (Accounting) from UNSW and is a Fellow of Chartered Accountants Australia and New Zealand.

John McBain, Executive Director & Group CEO

John McBain joined the Centuria Board in July 2006. John brings a wealth of executive and entrepreneurial experience to the board, previously holding key senior positions on a number of property development and investment companies. John is the founder of boutique funds manager Century Funds Management, property funds manager Waltus Investments Australia and specialist property consultancy Hanover Group.

John holds a Diploma in Urban Valuation from University of Auckland.

Susan Wheeldon-Steele, Non-Executive Director

Susan is currently the Head of Performance at Google and was previously Head of Brand and Retail at AMP Capital Shopping Centres. During her career, Susan has held a number of senior roles in Australia and the United Kingdom across a diverse range of industries including global law firms DLA Piper and King & Wood Mallesons, working with the Virgin Australia and Virgin Atlantic airline brands, and as Vice President of Groupon.

Susan holds an MBA from the Australian Graduate School of Management (AGSM) and is a member of Australian Institute of Company Directors.

Nicholas Collishaw, Executive Director & CEO Listed Property Funds

Nicholas Collishaw was appointed Chief Executive Officer of Centuria's Listed Property Funds in May 2013. Previously he was CEO and Managing Director at the Mirvac Group where he was responsible for successfully guiding the business through the impact of the global financial crisis and implementing a strategy to position the real estate developer and investor for sustained growth. Nicholas has over 30 years' experience in all major real estate markets within Australia and investment markets in the United States, United Kingdom and Middle East.

Nicholas holds an Associate Diploma of Business (Valuation) from Sydney Technical College and Certificate in Financial Markets Securities Institute of Australia.

Jason Huljich, Executive Director & CEO Unlisted Property Funds

Jason Huljich is an Executive Director of Centuria Capital & CPFL and CEO of Centuria's Unlisted Property Funds. Jason has been with Centuria since its inception in 1999 and was appointed to the Board of CPFL in 2001. He is responsible for providing strategic leadership and ensuring the effective operation of CPFL's Unlisted property portfolio. He is currently President of the Property Funds Association (PFA) and sits on the National Executive Committee.

Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland.

John Slater, Non-Executive Director

Prior to joining the Board, John founded boutique Financial Advisory firm Riviera Capital and was a senior executive in the KPMG Financial Services practice. Previously on Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital John has also been an adviser to the Centuria Life Friendly Society Investment Committees since 2011.

John holds a Diploma of Financial Planning, is a fellow of FINSIA and member of AFA.

The key people responsible for the management and operation of Centuria Group are below.

John McBain, Executive Director & Group CEO

Please refer to Section 4.4.1.

Nicholas Collishaw, Executive Director & CEO Listed Property Funds

Please refer to Section 4.4.1.

Jason Huljich, Executive Director & CEO Unlisted Property Funds

Please refer to Section 4.4.1.

Neil Rogan, General Manager, Investment Bonds Division

Neil was appointed GM – Investment Bonds Division at Centuria Life in October 2014. Neil is responsible for the business strategy and operations of the Investment Bond Division. Neil has more than 20 years' experience in the financial services industry, having held a number of senior roles at AMP Ltd including Head of Marketing and Campaigns, Head of Product Marketing and leading the change for the introduction of MySuper in 2013. Throughout 2014, Neil was a NSW Council member of the Australian Marketing Institute.

Neil holds a Bachelor of Arts, Communication and History, a Graduate Diploma, Marketing and Accounting, an Australian Direct Marketing Association Diploma and a Diploma of Financial Planning (2003).

Simon Holt, Chief Financial Officer

Simon Holt is responsible for the financial and treasury management of the Centuria Group. Previously he was Chief Financial Officer of WorleyParsons and has held senior finance positions at Westfield Group. Simon is an associate of the Institute of Chartered Accountants Australia and is a member of Australian Institute of Company Directors.

Simon is a Chartered Accountant and holds a degree in Business (major in Accounting and Marketing).

4.4.2 CPFL Board and Senior Management

The Board of Directors of CPFL are below.

Peter Done, Non-Executive Director & Chairman of CPFL

Please refer to Section 4.4.1.

Matthew Hardy, Independent Non-Executive Director

Matthew Hardy was appointed to the Board of CPFL in 2013. Currently founding Director of Conari Partners. He was previously Head of Property Barclays Global Investors, Director of Property Investments for Barclays Global Investors, and Non-Executive Director of Mirvac Funds Management. Matthew is a member of the Royal Institution of Chartered Surveyors and the Australian Institute of Company Directors.

Matthew holds a Bachelor of Science (Urban Estate Surveying) from Nottingham Trent University.

Darren Collins, Independent Non-Executive Director

Darren Collins was appointed to the Board of CPFL in 2015. Darren has extensive experience in accounting, audit, financial management, corporate governance and regulation. He was previously Vice President of Finance and Administration at Computer Sciences Corporation for over 16 years, working as lead financial executive for businesses operating in Asia, Australia and the United States of America.

Darren holds a Bachelor of Commerce from UNSW and is a member of the Institute of Chartered Accountants in Australia.

Jason Huljich, Executive Director & CEO Unlisted Property Funds

Please refer to Section 4.4.1.

The key people responsible for the management and operation of CMA are below.

Nicholas Collishaw, Executive Director & CEO Listed Property

Please refer to Section 4.4.1.

Simon Holt, Chief Financial Officer

Please refer to Section 4.4.1.

Nicholas Blake, Trust Manager

Nicholas Blake is responsible for the operation, strategic aspects and performance of CMA's activities. He was previously General Manager of Mirvac Industrial Trust. Nicholas has over 15 years of experience in the industry, having a comprehensive background in property funds management in both listed and unlisted funds in Australia and the United States.

Nicholas has a Bachelor of Economics from the University of New England and an Associate of FINSIA.

Hengky Widjaja, Senior Trust Analyst

Hengky is responsible for assisting the Trust Manager and CEO in assessing, monitoring and forecasting the performance of the Trust. He graduated with First Class Honours in Manufacturing System Engineering from RMIT University and holds a Master of Commerce (Investments) from UNSW. Previously he held positions within Mirvac for over eight years.

Victor Georos, Head of Portfolio & Asset Management

Victor is responsible for overseeing portfolio and asset management of Centuria's portfolio, in addition to managing the Centuria Property Funds Valuation program. Previously he was Head of Industrial & Business Parks at GPT Group and has held various senior positions at Lend Lease. Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors.

Victor holds a Bachelor of Land Economy and a Graduate Diploma of Finance and Investment (FINSIA).

Scott Creelman, Trust Accountant

Scott is responsible for preparing and managing all of CMA's financial affairs, including preparation of its statutory accounts.

Scott holds a Bachelor of Business (Accounting and Finance) from the University of Technology Sydney, and Member of the Institute of Chartered Accountants of Australia and New Zealand.

Shalome Ruiter, Manager Investor Relations

Shalome manages investor relations for CMA and assists the Trust Manager and CEO in the investor relations strategy of CMA. Previously she was Investor Relations Manager for FKP Property. Shalome has over 15 years' experience in the real estate and financial sectors, holding positions in property funds management in both listed and unlisted funds.

Shalome holds a Bachelor of Business from Queensland University of Technology and a Graduate Diploma of Applied Finance from FINSIA.

4.4.3 Centuria Investment Board

Centuria Investment is the trustee of CC2OF, the directors of whom are identified below. Centuria Group owns all of the shares in Centuria Investment and all of the Units in CC2OF.

John McBain, Executive Director & Group CEO

Please refer to Section 4.4.1.

Jason Huljich, Executive Director & CEO Unlisted Property Funds

Please refer to Section 4.4.1.

5 Key transaction documents

The key terms of the Share Sale Agreement and the Unit Sale Deed for the Proposed Acquisition are summarised below. Copies of these agreements are available on the Office Fund's ASX announcement platform at www.asx.com.au..

5.1 Key terms of the Share Sale Agreement

Purchase Price

Centuria Capital will pay $101.5 million cash (subject to an adjustment having regard to the net asset position of 360 CIML as at completion) in exchange for all the shares of 360 CIML held by 360 Capital Group.

Conditions Precedent

The Share Sale Agreement is subject to certain conditions precedent (which may be waived), including:

- approval of the securityholders of 360 Capital Group at a general meeting to appoint 360CFML as the new responsible entity of 360 Capital Investment Trust and any other matters required by law or a regulatory authority;
- all relevant Member approvals have been obtained in relation to the Proposed Acquisition;
- the key transaction documents have been executed, including:
  - the unit sale agreement in relation to the sale of 33,148,945 units in TIX from 360 Capital to Centuria Capital;
  - the Unit Sale Deed in respect of the Proposed Acquisition;
  - a call option deed and a put option deed, between, among others 360 Capital Group and Centuria Capital in relation to a call option and a put option in relation to certain co-investment stakes held by 360 Group in unlisted funds; and
  - the underwriting agreement between, among others, Centuria Group and Moelis in relation to the underwriting of the capital raising proposed to be undertaken by Centuria Group;
- Moelis has not terminated the underwriting agreement with Centuria Group in relation to the conditional placement of securities;
- all necessary approvals are received by Centuria Capital to enable the repurchase or redemption of notes issued by the 360 Capital Investment Management Limited as responsible entity of the 360 Capital Investment Trust; and
- all consents and waivers from lenders in relation to the finance facilities extended to 360 CIML in its capacity as the responsible entity of the Office Fund, TIX and 360 Capital Retail Fund No.1 in respect of the transactions contemplated by the Share Sale Agreement and its associated agreements.

Exclusivity

From the date of the Share Sale Agreement until the earlier of completion of the Share Sale Agreement, termination of the Share Sale Agreement and 16 January 2017 (the Exclusivity Period), the Share Sale Agreement imposes customary exclusivity restrictions on 360 Capital for the benefit of Centuria Capital in relation to the shares in, and business of, 360 CIML including no shop and no talk restrictions, a notification obligation, and a matching right subject to the fiduciary obligations of 360 Capital.

The exclusivity restrictions do not apply to 360 CIML as responsible entity of TIX or the Office Fund if a competing proposal arises after the date of the Share Sale Agreement.

Standstill regarding Relevant Funds

During the Exclusivity Period, Centuria Capital and its related entities must not acquire units in any Relevant Fund or take any step to merge or staple any Relevant Fund with another entity, except with the prior consent of Centuria Capital or where such transaction is undertaken in consultation with 360 Capital Group to defeat a competing proposal.

Reimbursement fee

360 Capital Group must pay a reimbursement fee of $2.3 million to Centuria Capital if:

- a competing proposal is announced by a third party during the Exclusivity Period and within 6 months of the announcement, the third party:
  - completes a competing proposal (other than as a result of acquiring a relevant in interest in up to 50% of the securities in 360 Capital Group);
  - enters into an arrangement with 360 Capital Group (or its Associates) which requires 360 Capital to abandon or otherwise not proceed with the transactions contemplated by the Share Sale Agreement;
  - acquires a relevant interest in more than 50% of the securities of 360 Capital Group;
- during the Exclusivity Period any of the 360 Capital Group's Directors recommend against the transactions contemplated by the Share Sale Agreement; or
- Centuria Capital terminates the Share Sale Agreement in accordance with the termination rights in the Share Sale Agreement.

The reimbursement fee does not apply to 360 CIML as responsible entity of TIX or the Office Fund if a competing proposal arises after the date of the Share Sale Agreement.

The reimbursement fee is not payable if the transactions contemplated by the Share Sale Agreement complete.

Clawback

Centuria Capital is entitled up to approximately $3.5 million of the consideration paid on account of 50% of the costs incurred in defending a third party takeover offer for the Office Fund within 12 months from the date of the completion of the Share Sale Agreement.

Termination rights

Centuria Capital and 360 Capital Group may terminate the Share Sale Agreement:

- if the condition precedents to the Share Sale Agreement are not satisfied or waived (except as a direct result of a failure by the party seeking to terminate);
- for material breach of the other party's obligations to effect completion which is not remedied within five business days; or
- if there is a breach of warranties in relation to title or solvency.

Centuria Capital may also terminate the Share Sale Agreement before completion if:

- during the Exclusivity Period, the Australian financial services licence of 360 CIML is suspended or terminated or 360 Capital Group receives a written notice of an intention to suspend or terminate the Australian financial services licence of 360 CIML, which suspension, termination or notice is not withdrawn or revoked prior to the completion date; or
- there is a breach of warranty that is reasonably likely to result in a claim by Centuria Capital in excess of $5.0 million.

5.2 Key terms of the Unit Sale Deed for the Proposed Acquisition

Terms of the Proposed Acquisition

Under the Proposed Acquisition:

- CC2OF will acquire 14,648,622 Units, representing 19.99% of the Units on issue; and
- CMR1 will acquire 6,423,084 Units, representing 8.76% of the Units on issue.

CC2OF and CMR1 will each acquire these Units from 360 Capital Group for the price of $2.25 per Unit plus a distribution of 4.25 cents per Unit for the quarter in which completion occurs and calculated on a pro rata basis for the period in which the units are held in that quarter (less any distribution pre-completion).

In conjunction with the Share Sale Agreement, Centuria Group is undertaking a placement of securities. In the event that Centuria Group does not receive the approval of securityholders for the placement of securities, then:

- Moelis or its nominees will acquire 13,556,754 Units, representing 18.5% of the Units on issue;
- CMR1 will acquire 6,423,084 Units, representing 8.76% of the Units on issue; and
- 360 CIML will continue to hold 1,099,749 Units, representing 1.5% of the Units on issue.

Centuria Group must use all reasonable endeavours to ensure that the securityholders of Centuria Group approve the placement of stapled securities prior to completion of the Share Sale Agreement.

Conditions Precedent

The Proposed Acquisition is subject to 360 Capital Group and Centuria Capital being satisfied that each condition precedent in the Share Sale Agreement has been satisfied or waived.

Termination

The Unit Sale Deed will terminate if the sale of units in accordance with the Unit Sale Deed has not occurred by the later of 16 January 2017 and 3 months from the date of the Unit Sale Deed.

6 Glossary

360 Capital or 360 Capital Group	the stapled entity comprising 360 Capital Group Limited (ACN 113 569 136) and 360 Capital Investment Trust (ARSN 104 552 598)
360 CIML	360 Capital Investment Management Limited (ACN 133 363 185)
360 CFML	360 Capital FM Limited (ACN 090 664 396)
360 Capital Information	the information other than the Centuria Information and the Independent Expert Report in this Explanatory Memorandum
360 Capital Investment Trust	360 Capital Investment Trust (ARSN 104 552 598)
ASIC	Australian Securities and Investments Commission
Associate	has the meaning given in sections 12 and 15 of the Corporations Act
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it (as the context requires)
ASX Listing Rules	the official listing rules of the ASX
CC2OF	Centuria Investment Holdings Pty Limited (ACN 116 455 862) in its capacity as trustee of the Centuria Capital No. 2 Office Fund
Centuria Capital	Centuria Capital Limited (ACN 095 454 336)
Centuria Funds Management	Centuria Funds Management Limited (ACN 607 153 588) in its capacity as responsible entity of the Centuria Capital Fund (ARSN 613 856 358)
Centuria Group	the stapled entity comprising Centuria Capital and Centuria Capital Fund (ARSN 613 856 358)
Centuria Information	the information contained in Section 4 of this Explanatory Memorandum and the paragraph in section 2.4 to the extent the information relates to Centuria Group and CMA.
Centuria Investment	Centuria Investment Holdings Pty Limited (ACN 116 455 862) as trustee of CC2OF
CMA	the stapled entity comprising CMR1 and CMR2
CMR1	Centuria Metropolitan REIT No. 1 (ARSN 124 364 718)
CMR2	Centuria Metropolitan REIT No. 2 (ARSN 124 364 656)
CMA Stapled Securities	a stapled security of CMA
CMA Stapled Securityholder	a registered holder of CMA Stapled Securities
Constitution	the constitution of the Office Fund as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth)
CPFL	Centuria Property Funds Limited (ACN 086 553 639) as responsible entity of CMA
Director	a director of the Responsible Entity
Excluded Voters	Centuria Group, 360 CIML as responsible entity of 360 Capital Group and any associates of those persons in relation to voting on the Resolution
Exclusivity Period	from the date of the Share Sale Agreement until the earliest of completion of the Share Sale Agreement, termination of the Share Sale Agreement and 16 January 2017
Explanatory Memorandum	the explanatory memorandum contained in this document
Fund Registry	Boardroom Pty Limited (ACN 003 209 836)
Independent Expert	Lonergan Edwards & Associates Limited
Independent Expert Report	the reports completed by the Independent Expert which are attached to this document
Meeting	the meeting of Members of the Office Fund to be held pursuant to the Notice of Meeting
Member	a registered holder of Units
Moelis	Moelis Australia Advisory Pty Ltd (ACN 142 008 446)
Non-Associated Member	a Member of the Office Fund that is not 360 Capital Group or an associate.
Notice of Meeting	this document, including the Notice of Meeting set out on page 1 of this document
NTA	net tangible assets

Office Fund	360 Capital Office Fund (ARSN 106 453 196)
Personal Representative	as defined in the Constitution
Proposed Acquisition	the proposed acquisition of the 21,071,706 Units held by 360 Capital Group by CC2OF, CMR1 and their Associates.
Proxy Form	the proxy form which accompanies this Notice of Meeting.
REIT	Real Estate Investment Trust
Relevant Fund	means each of the Office Fund, TIX, 360 Capital 441 Murray Street Property Trust, 360 Capital Havelock House Property Trust, 360 Capital 111 St Georges Terrace Property Trust and 360 Capital Retail Fund No. 1
Resolution	the resolution set out in the Notice of Meeting regarding the approval of the Proposed Acquisition
Responsible Entity	360 Capital Investment Management Limited, as responsible entity of the Office Fund
Share Sale Agreement	the share sale agreement between, among others, 360 Capital Group and Centuria Capital in relation to the acquisition by Centruia Capital of 100% shares held by 360 Capital Group in 360 CIML
TIX	360 Capital Industrial Fund (ARSN 099 680 252)
Unit	an ordinary unit in the Office Fund
Unit Sale Deed	the unit sale deed between, among others, 360 Capital Group, CC2OF and CMR1 in relation to the acquisition of a relevant interest in 21,071,706 Units held by 360 Capital Group and its Associates in the Office Fund

INDEPENDENT EXPERT'S REPORTS

LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors
360 Capital Investment Management Limited
Level 8
56 Pitt Street
Sydney NSW 2000

2 December 2016

Subject: Sale of units in the Office Fund pursuant to s611(7) of the Corporations Act

Dear Directors

Introduction

The Proposal

1 On 23 November 2016, the 360 Capital Group (360 Capital) announced that it had entered into a Unit Sale Deed with the Centuria Capital Group (Centuria Capital) pursuant to which it proposes to sell its 28.8% interest in the 360 Capital Office Fund (Office Fund) to Centuria Capital and entities associated with Centuria Capital for cash consideration of $2.25 per unit[1] (the Proposal), apportioned as follows:

(a) approximately 19.9% to Centuria Capital[2]

(b) approximately 8.9% to Centuria Metropolitan REIT (CMA)[3], being an entity associated with Centuria Capital.

Additional Transactions

2 Separately on 23 November 2016, 360 Capital and Centuria Capital announced that they had entered into various agreements pursuant to which it is proposed that entities associated with Centuria Capital will acquire all the shares in 360 Capital's property funds management platform, 360 Capital Investment Management Limited (360 CIML) (360 CIML Proposal), and co-investment stakes in a number of 360 CIML managed real estate investment trusts (REIT), namely (Co-investment Transactions):

(a) the 360 Capital Industrial Fund (Industrial Fund)

(b) the 360 Capital 441 Murray Street Property Trust (441 Murray Street Trust)

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1 Adjusted as appropriate for the accrued quarterly distribution entitlement at completion.
2 Via the Centuria Capital No. 2 Office Fund.
3 Via Centuria Metropolitan REIT No. 1.

(c) the 360 Capital Havelock House Property Trust (Havelock House Trust)

(d) the 360 Capital 111 St Georges Terrace Property Trust (111 SGT)

(e) the 360 Capital Retail Fund No. 1 (Retail Fund).

3 360 Capital also proposes to provide Centuria Capital with a 5.0% per annum interest only loan for $50 million for a term of 18 months (Vendor Loan).

4 We collectively refer to the 360 CIML Proposal, the Co-investment Transactions and the Vendor Loan as the "Additional Transactions".

Inter-conditionality of the Proposal and the Additional Transactions

5 The Proposal is conditional upon Office Fund unitholder approval as well as the 360 CIML Proposal proceeding.

6 The 360 CIML Proposal is conditional upon, among other things, the approval of 360 Capital securityholders[4] and the approval of 360 Capital Investment Trust (360 CIT) noteholders as well as the Proposal proceeding.

7 The Co-Investment Transactions and Vendor Loan will only proceed if the 360 CIML Proposal proceeds.

8 Further information on the Proposal as well as a summary of the conditions relating thereto is set out at Section I of this report.

360 Capital and the Office Fund

9 360 Capital is an Australian Securities Exchange (ASX) listed property funds management and property investment group that currently manages nine investment vehicles holding assets valued at $1.48 billion and has over $220 million worth of property fund co-investments.

10 The Office Fund is an externally managed[5] REIT that listed on the ASX on 24 April 2014. The Office Fund focuses on acquiring Australian located A-grade suburban and B-grade central business district (CBD) office properties in the $30 million to $100 million range, with a focus on yield and security of income. Its current portfolio consists of three A-grade suburban offices properties (two in Brisbane and one in Melbourne). It does not invest offshore and is not exposed to development risk.

Centuria Capital and CMA

11 Centuria Capital is an ASX listed specialist investment manager with $1.9 billion in funds under management.

12 CMA is an externally managed[6] REIT that listed on the ASX on 10 December 2014. CMA focuses on acquiring office and industrial properties in metropolitan markets across Australia that deliver stable and predictable rental income with opportunity for capital growth. Its current portfolio comprises 13 properties: 10 office and three industrial properties geographically diversified across Sydney, Brisbane, Canberra and Adelaide.

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4 Approving a change in responsible entity (RE) of 360 CIT from 360 CIML to 360 Capital FM Limited.

5 The RE of the Office Fund is 360 CIML, a wholly owned subsidiary of 360 Capital.

6 The RE of CMA is Centuria Property Funds Limited (CPFL), a wholly owned subsidiary of Centuria Capital.

Purpose of our report

13 Section 606 of the *Corporations Act 2001 (Cth)* (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.

14 Section 611(7) of the Corporations Act allows securityholders to waive the prohibition in s606 in relation to a particular transaction and requires that securityholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction.

15 Regulatory Guide 74 – *Acquisitions approved by members* (RG 74) sets out the Australian Securities & Investments Commission's (ASIC) view on the operation of s611(7) of the Corporations Act. ASIC requires an entity to commission an independent expert's report (IER) or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act. Regulatory Guide 111 – *Content of expert reports* (RG 111) sets out ASIC's views on the content of IERs commissioned for the purposes of s611(7) resolutions.

16 As Centuria Capital and its associates (i.e. CMA) will acquire a relevant interest[7] in more than 20% of the units in the Office Fund, the Directors of 360 CIML have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our view, the advantages of the Proposal outweigh the disadvantages from the perspective of Office Fund unitholders not associated with the Proposal.

Summary of opinion

17 There are both advantages and disadvantages to non-associated Office Fund unitholders implicit in the Proposal.

18 If the Proposal is approved:

Advantages

(a) there is no change in the voting and ownership interests of Office Fund unitholders under the Proposal. The majority unitholder in the Office Fund (i.e. 360 Capital) is being replaced by Centuria Capital / CMA, who have indicated a long-term commitment to the Office Fund (as compared to an intention to exit as indicated by 360 Capital)

(b) it removes the perceived stock overhang which is likely to result if the Proposal is not approved

(c) non-associated Office Fund unitholders are not precluded from an opportunity to participate in any future takeover offer for the Office Fund. Approval of the Proposal results in Centuria Capital / CMA, a logical buyer of the non-associated unitholders' interest in the Office Fund, holding (in aggregate) a significant interest in the Fund. The

7 As per s608 of the Corporations Act.

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potential therefore exists (and is arguably enhanced) for a future corporate transaction in this regard. To that end, CMA has indicated an intention to seek to develop a merger proposal in the near term. However, we note that there are no current discussions between the parties in relation to a possible merger and there is no certainty that such a proposal will be forthcoming

Disadvantages

(d) based on our assessed value of the Office Fund together with recent share market trading in Office Fund units, 360 Capital is receiving a premium for control for its unitholding in the Office Fund, the consideration for which is based on the reported net assets of the Office Fund as at 30 June 2016

(e) the acquisition by Centuria Capital / CMA of a 28.8% interest could potentially act as an deterrent to a potential third party acquirer of the Office Fund. However:

(i) subsequent to the acquisition by Centuria Capital / CMA the position of the non-associated unitholders is arguably unchanged from that which currently exists (as regards to the interest of the majority unitholder in the fund)

(ii) 360 Capital could sell 19.9% of the units on issue to Centuria Capital, without unitholder approval[8]

(iii) in the alternative, if 360 Capital were to place its unitholding for sale on-market, downward pressure on the Office Fund unit price is likely to result.

19 In our opinion, there are no significant advantages or disadvantages to non-associated Office Fund unitholders implicit in the Proposal. However, there are potential disadvantages if the Proposal is not approved. Accordingly, in our opinion, there is no apparent incentive or benefit to be gained by the non-associated Office Fund unitholders by voting against the Proposal. Therefore, on balance, we consider the advantages of the Proposal to outweigh the disadvantages from the perspective of Office Fund unitholders not associated with the Proposal.

20 In addition to the above, we have also reviewed the Additional Transactions in order to assess whether, in our opinion, 360 Capital is receiving any collateral benefit from these transactions. In our opinion, nothing has come to our attention in respect of the Additional Transactions that would cause us to change our view on the Proposal (Office Fund unitholders not associated with the Proposal and Additional Transactions should refer to our Collateral Benefits Report for our full opinion[9]).

General

21 In preparing this report we have considered the interests of Office Fund unitholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual unitholders.

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8 Whilst we note that a 28.8% unitholder can act to prevent both a takeover and a trust scheme of arrangement and 19.9% unitholder can only block a takeover, in our view, a potential acquirer would consider it commercially unrealistic to seek to implement a scheme of arrangement without the consent of the 19.9% unitholder. Furthermore, we have been advised that should Centuria Capital / CMA acquire a 28.8% interest (as envisaged by the Proposal), Centuria Capital / CMA may be prevented from voting on a trust scheme by virtue of s253E of the Corporations Act.

9 Our report on Collateral Benefits is also enclosed with the Notice of Meeting.

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22 The ultimate decision whether to approve the Proposal should be based on each unitholder's assessment of their own circumstances. If Office Fund unitholders are in doubt about the action they should take in relation to the Proposal, or matters dealt with in this report, unitholders should seek independent professional advice.

23 For our full opinion on the Proposal and the reasoning behind our opinion, we recommend that Office Fund unitholders read the remainder of our report.

Yours faithfully

Nathan Toscan	Julie Planinic
Authorised Representative	Authorised Representative

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Appendices

I Outline of the Proposal

Overview

24 On 23 November 2016, 360 Capital announced that it had entered into a Unit Sale Deed with the Centuria Capital pursuant to which it proposes to sell its 28.8% interest in the Office Fund to Centuria Capital and entities associated with Centuria Capital for cash consideration of $2.25 per unit[10] (the Proposal), apportioned as follows:

(a) approximately 19.9% to Centuria Capital[11]

(b) approximately 8.9% to CMA[12], being an entity associated with Centuria Capital.

Conditions

25 The Proposal is subject to Office Fund unitholder approval and is conditional upon the 360 CIML Proposal proceeding. Further detail on the conditions and the 360 CIML Proposal are outlined in the Notice of Meeting.

Resolution

26 The resolution to approve the Proposal is an ordinary resolution and will be passed if more than 50% of the votes cast by unitholders entitled to vote on the resolution are in favour of the resolution.

27 Centuria Capital, 360 Capital and any associates of these entities are not entitled to vote on the resolution.

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[10] Adjusted as appropriate for the accrued quarterly distribution entitlement at completion.
[11] Via the Centuria Capital No. 2 Office Fund.
[12] Via Centuria Metropolitan REIT No. 1.

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II Scope of our report

Purpose

28 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.

29 Section 611(7) of the Corporations Act allows securityholders to waive the prohibition in s606 in relation to a particular transaction and requires that securityholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction.

30 RG 74 sets out ASIC's view on the operation of s611(7) of the Corporations Act. ASIC requires an entity to commission an IER or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act. RG 111 sets out ASIC's views on the content of IERs commissioned for the purposes of s611(7) resolutions.

31 As Centuria Capital and its associates (i.e. CMA) will acquire a relevant interest[13] in more than 20% of the units in the Office Fund, the Directors of 360 CIML have requested LEA to prepare an IER stating whether, in our view, the advantages of the Proposal outweigh the disadvantages from the perspective of Office Fund unitholders not associated with the Proposal.

General

32 This report has been prepared by LEA for the benefit of Office Fund unitholders to assist them in considering the resolution to approve the Proposal. The sole purpose of this report is to set out LEA's opinion on the Proposal. This report should not be used for any other purpose.

33 The ultimate decision whether to approve the Proposal should be based on each unitholders' assessment of their own circumstances. If Office Fund unitholders are in doubt about the action they should take in relation to the Proposal, or matters dealt with in this report, unitholders should seek independent professional advice.

Basis of assessment

34 In preparing our IER, we have given due consideration to the ASIC Regulatory Guides, particularly RG 111.

35 RG 111 states that when preparing an IER on the sale of securities under s611(7) of the Corporations Act the expert should identify the advantages and disadvantages of the proposal to securityholders not associated with the transaction and provide an opinion that either:

13 As per s608 of the Corporations Act.

(a) the advantages of the proposal outweigh the disadvantages; or

(b) the disadvantages of the proposal outweigh the advantages.

36 Specifically, RG 111 states that the expert should consider:

(a) whether the non-associated securityholders may be foregoing the opportunity to share in a takeover premium by approving the proposal (RG 111.41)

(b) the extent to which the vendor is to receive a premium for control (RG 111.43)

(c) the extent to which further transactions are planned between the company and the vendor (RG 111.45)

(d) whether the proposed acquisition, if approved, might deter the making of a takeover bid for the entity (RG 111.46).

37 In addition to the above we have also had regard to:

(a) the potential stock "overhang" associated with 360 Capital's unitholding if the Proposal is not approved

(b) Centuria Capital's and CMA's intention with regard to the future of the Office Fund

(c) the other advantages and disadvantages of the Proposal from the perspective of the non-associated unitholders of the Office Fund.

Limitations and reliance on information

38 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

39 Our report is also based upon financial and other information provided by the Office Fund and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

40 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming our opinion. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

41 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

42 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

43 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

44 LEA has not undertaken any valuation of the properties owned by the Office Fund and, for the purposes of this report, has relied upon the carrying values adopted by the Directors of 360 CIML for financial reporting purposes as at 30 June 2016. These carrying values are based on independent property valuations that have been commissioned by the Office Fund.

III Profile of the Office Fund

Overview

45 The Office Fund is an externally managed REIT that listed on the ASX on 24 April 2014. The Office Fund focuses on acquiring Australian located A-grade suburban and B-grade CBD office properties in the $30 million to $100 million range, with a focus on yield and security of income. Its current portfolio consists of three A-grade suburban offices properties (two in Brisbane and one in Melbourne). It does not invest offshore and is not exposed to development risk.

46 The RE of the Office Fund is 360 CIML, a wholly owned subsidiary of 360 Capital. 360 Capital is the largest unitholder in the Office Fund with a holding of 28.8%[14].

47 The RE is entitled to a management fee which is calculated as 0.65% of the gross asset value during the relevant year, but is currently electing to charge 0.60% per annum. This fee is payable quarterly in arrears. Custodian fees are also paid to 360 CIML at a rate of 0.05% of gross assets. The RE is also entitled to reimbursement for reasonable expenses incurred in the operating the fund.

48 A summary of the key statistics of the Office Fund is set out below:

Office Fund – key statistics	
Fund commencement date	November 2003
RE	360 CIML
Custodian	360 CIML
Interest held by 360 Capital	28.8%[(1)]
Number of properties held	3
Gross assets as at 30 June 2016 ($m)	211.0
Gross rental (12 months to 30 June 2016) ($m)	19.5
Distributions	Paid quarterly
FY15 and FY16 distributions (cpu)	17.0
1H17 distribution guidance (cpu)	8.5

Note:
1 The interest is held by 360 CIML, a wholly owned subsidiary of 360 Capital, as well as a number of other funds that are wholly owned by 360 Capital.
Source: Office Fund Annual Report 2016 and associated ASX release.

Portfolio overview

49 A summary of the Office Fund's three properties is set out below:

14 The interest is held by 360 CIML, a wholly owned subsidiary of 360 Capital, as well as a number of other funds that are wholly owned by 360 Capital.

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Office Fund – portfolio overview as at 30 June 2016					
As at 30 June 2016	Valuation $m	NLA(1) sqm	Occupancy %	WALE(2) Years	Cap rate %
485 Kingsford Smith Drive, Hamilton Harbour, QLD	74.4(3)	9,322	98.0	7.5	7.00
154 Melbourne Street, South Brisbane, QLD	77.5(4)	11,301	100.0	1.9	7.50
576 Swan Street, Richmond, VIC	56.0(5)	8,331	100.0	5.7	6.75
Total / weighted average	207.9	28,954	99.2	4.7	7.12

Note:
1 Net lettable area (NLA).
2 Weighted average lease expiry (WALE) by income as at 30 June 2016.
3 Latest external valuation as at April 2016.
4 Latest external valuation as at March 2015.
5 Latest external valuation as at May 2016.
Source: Office Fund Annual Report 2016.

50 The Office Fund's properties are tenanted by a mix of listed companies, national and multi-national companies, government bodies and other entities.

51 The top tenants of the fund based on gross passing rent (excluding car parking) as at 30 June 2016 were as follows:

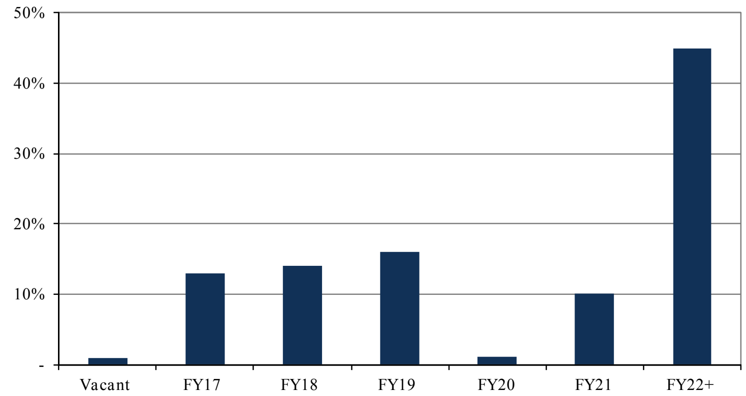
Office Fund – top 10 tenants		
Tenant	**Industry**	**% of gross passing rent**
GE Capital Finance Australasia	Financial services	13.9
QLD Government (QLD Studies)	Government	13.0
QLD Government (DOJ)	Government	12.4
Dominos	Fast food	9.7
Devine	Property development	9.3
Forever New	Consumer retail	9.1
SMEC Australia	Engineering	8.7
Frasers	Real estate	4.5
Collins Foods	Fast food	4.4
Woolworths	Consumer retail	3.9
Total		**88.9**

Source: Office Fund FY16 results presentation.

12

52 The lease expiry of the fund is as follows:

Office Fund – lease expiry profile[1]



Note:
1 Based on gross passing rent (excluding car parking).
Source: Office Fund FY16 results presentation.

53 A summary of the leases expiring in FY17 and FY18 are as follows:

Office Fund – lease expiries FY17 and FY18

Tenant	Address	Area sqm	Income $m	Total income %	Expiry
Queensland Government (QLD Studies)	154 Melbourne Street	3,700	2.1	13.0	Jun 17
Frasers Australia	154 Melbourne Street	1,086	0.7	4.5	Aug 17
SMEC Australia	154 Melbourne Street	2,180	1.4	8.7	Oct 17

Note:
1 Excludes minor retail tenants.
Source: Office Fund FY16 results presentation.

Statement of financial performance

54 The financial performance of the Office Fund for the two years ended 30 June 2016 is summarised below:

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Office Fund – financial performance[1]	FY15 Audited $000	FY16 Audited $000
Rental income	20,624	19,748
Investment property expenses	(3,729)	(3,396)
Net property income	**16,895**	**16,352**
Management fees	(1,486)	(1,452)
Administrative expenses	(1,317)	(403)
EBIT[2]	**14,092**	**14,497**
Finance costs	(2,792)	(2,605)
Finance revenue	119	65
Changes in fair value of properties	5,569	11,750
Changes in fair value of derivative financial instruments	(1,149)	(1,912)
Net loss on sale of properties	(1,023)	(1,321)
Net loss on fair value of rental guarantee	(2,414)	(36)
Net profit attributable to unitholders	**12,402**	**20,438**
Adjustment for specific non-cash items[3]	(260)	(8,704)
Adjustment for significant items[3]	1,823	1,455
Operating profit (before non-cash and significant items)	**13,965**	**13,189**
Distributions to unitholders	**12,816**	**12,458**
Number of properties at the start of the year	4	4
Number of properties sold	1	1
Number of properties purchased	1	-
Number of properties at the end of the year	**4**	**3**
Earnings per unit (cents)	*16.4*	*27.9*
Operating profit per unit (cents)	*18.5*	*18.0*
Distribution per unit (cents)	*17.0*	*17.0*

Note:
1 Rounding differences may exist.
2 Earnings before interest and tax (EBIT).
3 Adjustments include add-backs for amortisation of incentives and leasing fees, fair value adjustments on properties and derivatives, loss on sale of properties, amortisation of borrowing costs, straight-lining of lease revenue and outstanding duty. These are more comprehensively outlined in Note 3 of the Office Fund Annual Report 2016.
Source: Office Fund Annual Report 2016.

55 In relation to the financial performance, we note the following:

(a) rental revenue and property expenses decreased as a result of the disposal of 33 Allara Street, Canberra, ACT (sold in November 2015)

(b) management fees and finance costs also decreased as a result of the sale

(c) a loss of $1.3 million was recognised with respect to the sale of 33 Allara Street, Canberra, ACT

(d) a gain on the revaluation of 485 Kingsford Smith Drive and 576 Swan Street was recognised on adopting values derived from independent property valuations undertaken in April 2016 and May 2016 respectively

(e) a loss of $1.9 million was recognised with respect to the derivative financial instruments used by the fund to hedge interest rate risk with respect to its borrowings.

56 The Office Fund's policy is to distribute 90% of operating profit (before non-cash and significant items)[15] and the distributions for FY15 and FY16 were consistent with this policy. On 17 August 2016, the Office Fund noted that distributions for 1H17 (i.e. the six months to 31 December 2016) are expected to be 8.5 cents per unit (cpu). In the same announcement, the Office Fund also noted that it has the financial capacity (through the use of debt) to acquire a further property of approximately $50 million to $60 million in value and that if this strategy were successfully implemented annual earnings per unit may increase to approximately 18.5 cpu. Although the improvement in earnings would likely result in an improvement in annual distributions (assuming a continuation of the distribution policy), it would also result in a significant increase in the Office Fund's level of gearing.

Statement of financial position

57 The financial position of the Office Fund as at 31 December 2015 and 30 June 2016 is set out below:

Office Fund – statement of financial position[1]	31 Dec 15 Reviewed $000	30 Jun 16 Audited $000
Cash and cash equivalents	3,645	2,590
Trade and other receivables	497	489
Investment properties	194,377	206,828
Rental guarantee	1,723	1,072
Total assets	**200,242**	**210,979**
Trade and other payables	2,015	1,507
Distributions payable	3,114	3,114
Interest bearing liabilities	39,307	39,445
Derivative financial instruments	843	2,107
Total liabilities	**45,279**	**46,173**
Net assets	**154,963**	**164,806**
Units on issue (000s)	*73,280*	*73,280*
Net tangible assets (NTA) per unit ($)	*2.11*	*2.25*
Gearing (net debt[3] / total assets less cash)[2]	*18.3%*	*17.8%*

Note:
1 Rounding differences may exist.
2 On a balance sheet, rather than a see through basis.
3 Before allowance for capitalised borrowing costs of $0.378 and $0.240 million as at 31 December 2015 and 30 June 2016 respectively.
Source: Office Fund Half Year Report 2016 and Annual Report 2016.

15 Source: Office Fund Product Disclosure Statement March 2014.

58 In relation to the financial position, we note the following:

(a) **investment properties and rental guarantee** – the investment properties are carried at values derived from the independent valuations as summarised in paragraph 49. The property values adopted by the directors from the independent valuations are split between property values and an underlying lease guarantee under an agreement with the vendor of 485 Kingsford Smith Drive

(b) **distributions payable** – distributions comprise accrued distributions for the fourth quarter of the year that had been declared but not yet paid out in cash to unitholders. This distribution of 4.25 cents per unit was paid on 26 July 2016

(c) **interest bearing liabilities** – as at 30 June 2016, the Office Fund had debt facilities totalling $80.0 million which were drawn to $39.7 million, representing a loan to value ratio (LVR) of 19.1%[16] which complied with the bank covenant of less than 50.0%[17]. The interest cover ratio was calculated to be 6.7 times which complied with the respective bank covenant of no less than 2.0 times.

The borrowings of $39.4 million disclosed in the 30 June 2016 statement of financial position are net of $0.2 million of capitalised borrowing costs

(d) **derivative financial instruments** – the Office Fund uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. As at 30 June 2016, 102% of the Office Fund's debt was hedged ($40 million), with an average hedge rate of 2.64% and an average hedge term of 3.6 years.

Capital structure and ownership

59 As at the date of this report, the Office Fund had 73.280 million ordinary units on issue. The units are reasonably tightly held with the top 20 unitholders accounting for 64.9% of the total units on issue as at 9 August 2016 (three substantial unitholders[18] held in excess of 44.0% of the units on issue)[19].

60 As at the date of this report, 360 Capital held 21.072 million units[20] or 28.8% of units on issue. The two other substantial unitholders (based upon substantial unitholder notices released to the ASX) were Ellerston Capital Limited, with 5.374 million[21] units or a 7.3% interest and First Samuel Limited with 5.128 million[22] units or a 7.0% interest.

Unit price performance

61 The following chart illustrates the movement in the share price of the Office Fund from 1 October 2014 to 18 November 2016:

16 Based on the latest external valuation of the property portfolio at $207.9 million.

17 The LVR is calculated as the amount of debt drawn under the trust's debt facility by the value of the assets that the debt is secured against.

18 Being unitholders in the Office Fund that have a relevant interest of 5% or more.

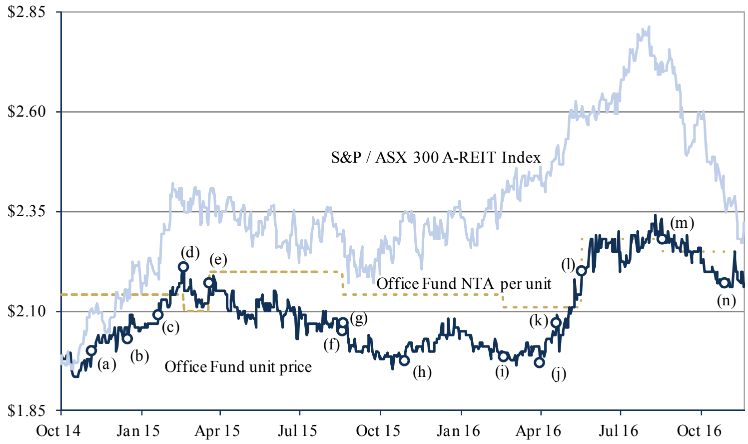
19 Source: Office Fund Annual Report 2016.

20 The interest is held by 360 CIML, a wholly owned subsidiary of 360 Capital, as well as a number of other funds that are wholly owned by 360 Capital.

21 Source: Office Fund change in substantial interest notice dated 4 March 2016.

22 Source: Office Fund change in substantial interest notice dated 6 November 2015.

Office Fund – unit price history[1]
1 October 2014 to 18 November 2016



Note:
1 Based on closing prices. The S&P / ASX 300 A-REIT Index has been rebased to the Office Fund's last traded price on 1 October 2014 ($1.99).
Source: Bloomberg and Office Fund ASX announcements.

62 Since October 2014, the Office Fund has generally traded at a discount to its underlying NTA per unit and has underperformed the S&P / ASX 300 A-REIT Index. Key market sensitive announcements during the period are as follows:

(a) **5 November 2014** – announced an on-market buy-back for up to 11.65 million units (15% of issued capital)

(b) **16 December 2014** – announced the acquisition of 576 Swan Street Melbourne for $46.5 million

(c) **20 January 2015** – announced FY15 operating earnings per unit guidance of 18.4 cents per unit, 1.4 cents above the previous guidance of 17.0 cents

(d) **18 February 2015** – announced HY16 results, NTA per unit of $2.10

(e) **19 March 2015** – announced independent valuations of the fund's assets resulted in a $10.6 million increase in book value, which resulted in a pro-forma NTA of $2.20 per unit, an increase of $0.10 per unit

(f) **18 August 2015** – announced extension of Department of Environment lease at 33 Allara Street, Canberra for 12 months with a further option of 12 months

(g) **19 August 2015** – announced FY15 results, NTA per unit of $2.14

(h) **28 October 2015** – announced exchange of unconditional contracts for the sale of 33 Allara Street, Canberra for $29 million ($1 million below book value)

(i) **18 February 2016** – announced HY16 results, NTA of $2.11 per unit as well as the proposal to purchase 360 Capital's 44% stake in 111 SGT for $30.4 million

(j) **30 March 2016** – announced the decision to not proceed with the purchase of 360 Capital's 44% stake in 111 SGT

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(k) **18 April 2016** – 360 CIML announced that it considered the Office Fund to be undervalued by the market and that it may undertake an on-market buy-back of up to 7.33 million units (10% of issued capital)

(l) **17 May 2016** – announced independent valuations of the funds two assets results in a $11.8 million increase on December 2015 book values. Pro-forma NTA of $2.28 per unit which was a $0.17 increase on the 31 December 2015 NTA of $2.11 per unit

(m) **17 August 2016** – announcement of FY16 results, NTA per unit of $2.25

(n) **27 October 2016** – speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).

Liquidity in Office Fund units

63 The liquidity in the Office Fund units based on trading on the ASX over the 12 month period prior to 26 October 2016[23] as well as for the period from 27 October 2016 to 18 November 2016 is set out below:

Office Fund – liquidity in units

Period	Start date	End date	No of units traded 000	WANOS[1] outstanding 000	Implied level of liquidity Period[2] %	Annual[3] %
Post speculation[4]						
3.4 weeks	27 Oct 16	18 Nov 16	1,187	73,280	1.6	24.8
Pre speculation[4]						
1 month	27 Sep 16	26 Oct 16	1,261	73,280	1.7	20.6
3 months	27 Jul 16	26 Oct 16	2,873	73,280	3.9	15.7
6 months	27 Apr 16	26 Oct 16	8,685	73,280	11.9	23.7
1 year	27 Oct 15	26 Oct 16	21,601	73,280	29.5	29.5

Note:
1 Weighted average number of securities outstanding (WANOS) during relevant period.
2 Number of units traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.
4 On 27 October 2016, speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).
Source: Bloomberg and LEA analysis.

64 Trading in the Office Fund is relatively illiquid (even after allowing for the units held by 360 Capital, Ellerston Capital Limited and First Samuel Limited), particularly in comparison to other ASX listed Office REITs. For example, implied annual liquidity in Investa Office Fund, Cromwell Property Group and GDI Property Group[24] for the six months to 26 October 2016 was 100.2%, 69.9% and 46.9% respectively.

23 Being the last trading date prior to speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds).
24 Being the three largest ASX listed office A-REITs by market capitalisation as at 26 October 2016.

18

IV Valuation methodology

65 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

66 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

67 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

68 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

69 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

V Valuation of 100% of the Office Fund

Approach / methodology

70 REITs are primarily passive investment vehicles whose value is largely determined by the underlying property assets they hold (which are typically carried on balance sheet at market values as determined by property valuers). Accordingly, REITs are commonly valued by reference to the net assets approach, which involves aggregating the market value of the individual assets and liabilities of the entity.

71 Whilst other valuation methodologies (such as DCF and capitalisation of earnings) are not generally employed in assessing the overall value of a REIT, it should be noted that property valuers utilise a number of methodologies in assessing the individual property values including DCF, capitalisation of income and direct comparison (e.g. value per square metre) approaches.

72 For the purposes of this report, LEA has determined the value of the Office Fund through the application of the net assets approach.

73 We have cross-checked our valuation of the Office Fund for reasonableness by comparing the implied metrics based on the transaction and trading evidence of broadly comparable A-REITs against the comparable metrics implied by our valuation. We have also considered the listed trading price of Office Fund units prior to the announcement of the Proposal.

Assessment of the value of 100% of the Office Fund

74 We have assessed the value of the Office Fund on a 100% controlling interest basis as follows:

Assessed valued of the Office Fund	Low $m	High $m
Reported NTA as at 30 June 2016	164.8	164.8
Property value adjustments	(2.6)	7.6
Capitalised borrowing costs	(0.2)	(0.2)
Capitalised operational overheads	(12.6)	-
Orderly wind-up costs	-	(5.1)
Equity value – 100% controlling interest basis	149.4	167.1
Units on issue (m)	73.3	73.3
Value per unit – 100% controlling interest basis ($)	**2.04**	**2.28**

75 We discuss each of the above adjustments in paragraphs 76 to 84 below.

Property valuations

76 The carrying values that have been adopted by the Directors of 360 CIML for financial reporting purposes for 485 Kingsford Smith Drive and 576 Swan Street are based upon single point estimates from the independent property valuations undertaken in April 2016 and May 2016 respectively. However, value is generally considered to fall within a range and the assessment of value is sensitive to the capitalisation rate and discount rate adopted in assessing the value of the property using the capitalisation of income and/or DCF approach. Accordingly, for the purposes of this report, we have made both positive and negative

adjustments of 2% to the single point estimates[25] in order to reflect this potential range of values.

77 Whilst the carrying value of 154 Melbourne Street is also based upon a single point estimate from an independent property valuation, that valuation was undertaken in March 2015. We note that since that date, the capitalisation yields on the Office Fund's other properties have improved in the order of 40 to 50 basis points. In order to reflect the potential uplift in the 154 Melbourne Street property value due to yield improvement, we have increased the high end of the valuation range by $5.0 million[26]. We have not applied any adjustment at the low end of the range to reflect the low WALE attaching to this property[27].

78 The notional adjustments made to reflect the above are summarised in the following table:

Notional adjustment to property carrying values		Low $m	High $m
485 Kingsford Smith Drive, Hamilton Harbour, QLD		74.4	74.4
576 Swan Street, Richmond, VIC		56.0	56.0
Subtotal		130.4	130.4
Add / (deduct) valuation tolerance allowance (+2% / -2%)	(a)	(2.6)	2.6
154 Melbourne Street, South Brisbane, QLD		77.5	77.5
Adjustment for potential uplift from yield improvement	(b)	-	5.0
Total adjustments	**(a) + (b)**	**(2.6)**	**7.6**

Capitalised borrowing costs

79 Reported NTA includes the unamortised balance of loan establishment fees which have been capitalised for accounting purposes. These assets have no cash value (i.e. they are accounting entries only) and have therefore been excluded from our valuation.

Operational overheads

80 The Office Fund incurs various operational overheads (of some $1.7 million per annum[28]), including:

(a) RE and custodian fees of approximately $1.4 million per annum

(b) listed entity fees (such as directors fees, annual reports, unitholder communication, unit registry and listing fees etc) and other administrative expenses of approximately $0.3 million per annum.

25 We have assessed the quantum of this adjustment having regard to the sensitivity analysis undertaken in the independent property valuations.

26 Calculated based on the adopted property value of $77.5 million times the adopted yield of 7.5%; divided by the improved yield of 7.0% applied to the 485 Kingsford Smith Drive property for the purposes of the April 2016 independent property valuation.

27 As at March 2015 the WALE was some 3.06 years by area and has reduced to 1.9 years as per the FY16 results presentation.

28 Excluding non-recurring items for outstanding duty payments on a legacy transaction.

81 On a standalone (internally managed) basis, the Office Fund would avoid listed entity fees but would still incur operational overheads, albeit these would likely be less than the costs incurred under the current externally managed structure (which include the payment of a profit element). However, an acquirer of 100% of the Office Fund with an existing property management platform in Australia could save substantially more of the overhead costs depending upon their business model.

82 Based upon discussions with 360 CIML management we have, for valuation purposes, allowed for on-going operational costs of $0.9 million which represents a reduction of $0.8 million to reflect the profit element contained in the overhead charges (having regard to the profit margin generated by 360 CIML and other external providers).

83 These costs are not captured within the Office Fund's reported NTA and should be allowed for as they are costs incurred in continuing to operate as a REIT. For the purposes of assessing the low end of the value range for the Office Fund, we have capitalised these costs by applying the weighted average capitalisation rate of 7.12% derived from the Office Fund's property portfolio. The capitalised value of the costs of some $11.4 million has been deducted from the reported NTA.

Orderly wind-up

84 In determining the high end of the valuation range, we have assumed that the owner of 100% of the units in the Office Fund could elect to undertake a managed wind-up in order to realise underlying value. We understand that a managed wind-up is likely to require a six to nine month period[29] in order to undertake the necessary marketing, sales and due diligence requirements. During this time, the existing operational overhead structure would remain in place and costs in the order of $0.9 million to $1.3 million would still be incurred[30]. Further, the Office Fund would incur selling costs estimated at 1.5% of the property values (amounting to $3.2 million) and other costs (including an allowance for contingencies) estimated at $0.75 million. 360 CIML has confirmed that no break or disposal fees are applicable in the event of a wind-up.

Cross-checks

Comparison against trading and transaction evidence for A-REITs

85 We set out below the premiums / (discounts) to NTA implied by our valuation:

Office Fund – NTA cross-check[(1)]

	Low Cents	Mid-point Cents	High Cents
Assessed equity value per security – controlling interest basis	2.04	2.16	2.28
Reported NTA as at 30 June 2016	2.25	2.25	2.25
Premium / (discount) to reported NTA	(0.21)	(0.09)	0.03
Premium / (discount) to reported NTA	*(9.3%)*	*(4.0%)*	*1.4%*

Note:
1 Rounding differences may exist.

29 The time taken for orderly wind-up is as advised by 360 CIML.

30 For the purposes of our valuation we have adopted the mid-point of this range to reflect the likelihood that the costs would phase down during the wind-up period.

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86 We note that whilst the majority of listed A-REITs (set out at Appendix C) were trading at a premium to NTA (as at 18 November 2016), many of these have significant property funds management operations, the value of which is not reflected on balance sheet. Given that the Office Fund does not have a similar business and will be required to incur operational overheads with respect to its continued operations we consider our valuation to be reasonable.

87 The range of discounts to NTA observed in the context of recent A-REIT transactions (of a non-distressed nature)[31] is some 12.9% to 4.0%. Premiums have also been paid in recent transactions in the range of 1.1% to 42.5%. With respect to the significant observed premiums above NTA, our analysis indicates that these are applicable to specialised assets and/or more diverse operations e.g. retail investments and holiday parks, fully integrated fund and asset management businesses, design and development operations, etc. However, after excluding these transactions, modest premiums to NTA have been paid in recent A-REIT transactions. The range of discounts and premium to NTA implied by our valuation range falls within the range for the transactions examined and considered applicable for comparison purposes.

88 We set out below the distribution yield implied by our valuation:

Office Fund – distribution yield cross-check[(1)]

	Low $	Mid-point $	High $
Assessed equity value per security – controlling interest basis	2.04	2.16	2.28
Forecast distribution for FY17[(2)]	0.17	0.17	0.17
Implied distribution yield	8.3%	7.9%	7.5%

Note:
1 Rounding differences may exist.
2 Based on annualised 1H17 distribution guidance of 8.5 cents per unit. Distribution guidance will be reviewed in December 2016, subject to timing of reinvestment. Source: Office Fund 2016 Annual Results Presentation 17 August 2016.

89 The implied distribution yield for Office Fund units of 7.5% to 8.3% is consistent with the forecast FY17 yields for other listed A-REITs which range from 3.8% to 9.1% with a median of 7.8% as set out in Appendix C.

Comparison with listed market price

90 Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers of industrial companies in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). However, A-REITs (which generally passively hold a portfolio of properties) are quite different in character to industrial operating businesses and there is normally little justification for the payment of any material premiums over NTA value and/or pre-bid prices.

31 In this context we consider that transactions post 2012 would be reflective of more stable market conditions.

91 We note that the Office Fund's volume weighted average price (VWAP) for the period 29 September 2016 to 26 October 2016[32] was $2.19 per unit and for the period from 27 October 2016 to 18 November 2016 was $2.17 per unit. That said, trading in the Office Fund's units indicates that the securities are relatively illiquid.

92 Our valuation implies the following premium / (discount) over the observed VWAPs post the September 2016 quarterly distribution:

Office Fund – comparison to listed market price(1)	Low $	Mid-point $	High $
Post speculation(2)			
Assessed equity value per security – controlling interest basis	2.04	2.16	2.28
VWAP – 27 October 2016 to 18 November 2018	2.17	2.17	2.17
Premium / (discount) to VWAP	(0.13)	(0.01)	0.11
Premium / (discount) to VWAP (%)	*(6.0%)*	*(0.5%)*	*5.1%*
Pre speculation(2)			
Assessed equity value per security – controlling interest basis	2.04	2.16	2.28
VWAP –29 September 2016(2) to 26 October 2016	2.19	2.19	2.19
Premium / (discount) to VWAP	(0.15)	(0.03)	0.09
Premium / (discount) to VWAP (%)	*(6.9%)*	*(1.4%)*	*4.1%*

Note:
1 Rounding differences may exist.
2 On 27 October 2016, speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).
3 Being date the units traded ex-distribution.

93 Our valuation implies a discount at the low end of the valuation range and a modest premium at the high end of the valuation range. The discounts and premiums implied by our valuation range fall within the range of premiums and discounts for Office A-REITs which range from a 17.1% discount to a 9.9% premium (refer Appendix C).

Conclusion

94 Having regard to the above, we consider that our valuation range, and the range of discounts and premiums implied by our valuation range are reasonable and appropriate in the circumstances.

32 Being the last trading date prior to speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds).

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VI Evaluation of the Proposal

95 We set out below the considerations under RG 111 and the advantages and disadvantages of the Proposal to the Office Fund unitholders not associated with the Proposal.

Is 360 Capital receiving a premium for control?

96 RG 111.43 requires the expert to determine whether the vendor (in this case 360 Capital) is to receive a premium for control for the securities it is selling under the Proposal[33]. The greater the control premium, the greater the advantages of the transaction to the non-associated unitholders would need to be to support a finding that the advantages of the Proposal outweigh the disadvantages.

97 360 Capital is receiving cash consideration of $2.25 per unit for its unitholding in the Office Fund. We have been advised that the consideration was negotiated based on the reported NTA per unit as at 30 June 2016. This price compares to the Office Fund's recent listed market unit prices (which reflect portfolio interests in the fund) as follows:

Consideration payable to 360 Capital – comparison to listed unit price	Closing[(1)] $	VWAP[(2)] $	VWAP[(3)] $
Consideration payable to 360 Capital per security	2.25	2.25	2.25
Office Fund unit price	2.16	2.19	2.17
Extent to which the Proposal consideration exceeds market price	0.09	0.06	0.08

Note:
1 Closing price on 26 October 2016, being the last trading date prior to speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds).
2 The VWAP is for the period 29 September 2016 to 26 October 2016, being the date the securities traded ex-distribution up to and including the last trading date prior to speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds).
3 The VWAP is for the period 27 October 2016 to 18 November 2016.

98 We set out in the following table, a comparison of the consideration payable to 360 Capital relative to our assessed value of a 100% controlling interest in the Office Fund:

Consideration payable to 360 Capital – comparison to assessed value of the Office Fund[(1)]	Low $	Mid-point $	High $
Consideration payable to 360 Capital per security	2.25	2.25	2.25
Assessed equity value per security – controlling interest basis	(2.04)	(2.16)	(2.28)
Premium / (discount) to assessed equity value per security	0.21	0.09	(0.03)
Premium / (discount) to assessed security value	*9.3%*	*4.0%*	*(1.4%)*

Note:
1 Rounding differences may exist.

33 In this regard, we note that 360 Capital is selling a significant but not controlling interest in the Office Fund pursuant to the Proposal.

26

99 Given that the consideration payable to 360 Capital is higher than recent observed (portfolio interest) prices for the Office Fund and is toward the top-end of our assessed range of values for the Office Fund on a 100% controlling interest basis, in our opinion, 360 Capital is receiving a premium for control.

Impact on ownership and control

100 If the Proposal is approved by non-associated Office Fund unitholders, Centuria Capital and its related entities (i.e. CMA) will own in aggregate 28.8% of the units in the Office Fund[34]. The Additional Transactions (which are inter-conditional with the Proposal) will result in an effective change of RE, as 360 CIML is being acquired by Centuria Capital / CPFL.

101 We note that the Proposal has no impact on the voting and ownership interests of non-associated unitholders in the Office Fund.

Possibility of receiving a future takeover offer

102 RG 111 states that the expert should consider whether:

(a) the non-associated unitholders may be foregoing the opportunity to share in a takeover premium by approving the Proposal (RG 111.41)

(b) the Proposal, if approved, might deter the making of a takeover bid for the entity (RG 111.46).

103 The Proposal only represents an offer for the units in the Office Fund held by 360 Capital and non-associated Office Fund unitholders are not being offered the opportunity to participate in any associated transaction in respect of 100% of the equity in the Office Fund (such as a takeover offer).

104 If the Proposal is approved, Centuria Capital and its related entities (i.e. CMA) are effectively replacing 360 Capital as the owner of the units in the Office Fund. Accordingly, non-associated unitholders are in no different position to that which they currently face with respect to the receipt of a takeover offer. This is because a prospective third party acquirer of the Office Fund would recognise the need to reach an agreement with the majority unitholder (currently 360 Capital, or if the Proposal proceeds Centuria Capital / CMA) in order for a takeover to proceed.

105 However, should the Proposal proceed, we note that CMA is a logical buyer of the non-associated unitholders' interest in the Office Fund in the future, given the complementary nature of their property portfolios. In this regard, we note that:

(a) a potential (cash and scrip) merger of the Office Fund and CMA was considered in conjunction with the Proposal, however, the parties were unable to reach agreement on the terms of such a merger (further information on this can be found in Section 2.4 of the Notice of Meeting to be sent to Office Fund unitholders in connection with the Proposal)

34 As noted in Section I, Centuria Capital will acquire a 20% interest in the Office Fund and CMA will acquire an 8.8% interest in the Office Fund.

(b) if the Proposal and the 360 CIML Proposal proceed, Centuria Capital and CMA remain open to considering a potential merger of the Office Fund and CMA (and CMA has indicated an intention to seek to develop a merger proposal in the near term). However, there are no current discussions between the parties in relation to a possible merger and there is no certainty that such a proposal will be forthcoming.

106 If the Proposal proceeds, Centuria Capital is entitled to a 'clawback' of up to $3.5 million (out of the consideration paid for 360 CIML) in the event that the Office Fund receives a takeover offer from a third party within 12 months from the date of settlement of the 360 CIML Proposal. The 'clawback' can only be used by Centuria Capital for the purposes of contributing to 50% of the total costs of defending the third party takeover offer.

107 Whilst prima facie the clawback entitlement is an additional impediment to a takeover offer from a third party, in our opinion, it is the 28.8% unitholding in the Office Fund that would be considered to be the most significant impediment to a potential third party acquirer (i.e. we do not consider the clawback to be any additional material disadvantage of the Proposal, particularly given that no takeover offer has emerged for the Office Fund whilst 360 Capital has been the significant unitholder).

108 Accordingly, in our opinion, approving the Proposal does not materially impact (and arguably enhances) the likelihood of a takeover offer being made for the Office Fund, compared to the position if the Proposal is not approved. Specifically, we are of the opinion that by approving the Proposal, non-associated unitholders are not:

(a) foregoing the opportunity to share in a takeover premium in future

(b) providing a deterrent to the making of a takeover bid for the Office Fund.

Future transactions between 360 Capital and the Office Fund

109 RG 111.45 states that the expert should enquire whether future transactions are planned between the subject entity (in this case the Office Fund) and the vendor (in this case 360 Capital) or any of the vendor's associates. According to the Regulatory Guide this is to identify any future transactions which may not be at arm's length or which may compensate a vendor from accepting a price for their shares which is too low.

110 The Office Fund and 360 Capital have confirmed that no future transactions between the Office Fund and 360 Capital (or any of its associates) are planned.

111 However, as detailed in paragraphs 2 to 4, we note that there are planned transactions between 360 Capital (the vendor) and Centuria Capital (an associate of CMA) which are inter-conditional with the Proposal. We have reviewed these Additional Transactions in order to assess whether, in our opinion, 360 Capital is receiving any collateral benefit from these transactions. In our opinion, nothing has come to our attention in respect of the Additional Transactions that would cause us to change our view on the Proposal[35].

[35] Office Fund unitholders not associated with the Proposal and Additional Transactions should refer to our Collateral Benefits Report for our full opinion (this report is also enclosed with the Notice of Meeting).

Potential stock overhang

112 Pursuant to the announcement of the Proposal, 360 Capital has effectively signalled its intention to exit its unitholding in the Office Fund, being some 21.1 million units in the Office Fund (or some 28.8% of total units on issue)[36].

113 As noted in Section III, Office Fund units are a relatively thinly traded security, turning over only approximately 25.0% of its capital per annum. Given this, if the Proposal is not approved, then, in our opinion, if 360 Capital sought to sell its units on-market there is likely to be downward pressure on the Office Fund unit price until such time that 360 Capital's divestment is complete. However, in the event that the Proposal is not approved, we assume that 360 Capital would seek out an alternative transaction to realise the value of its investment.

Centuria Capital's / CMA's intention with respect to the Office Fund

114 If the Proposal is approved, Centuria Capital / CMA will replace 360 Capital as the holder of (in aggregate) 28.8% of the units in the Office Fund.

115 Given that the Proposal is inter-conditional with the Additional Transactions, Centuria Capital is making a commitment to co-invest in the Office Fund in conjunction with the acquisition of 360 Capital's funds management business, 360 CIML.

116 In addition to the intentions noted above (refer paragraph 105), Centuria Capital has indicated that if the Proposal is approved, Centuria Capital's current intentions with respect to the 20% interest in the Office Fund to be acquired are to:

(a) maintain the investment in the Office Fund as a long-term strategic investment

(b) maximise the return on Centuria Capital's investment by supporting active asset management and strategic initiatives

(c) vote its 20% interest in Centuria Capital's favour, if a corporate transaction arises, and in particular, to support a merger proposal between CMA and the Office Fund (assuming the terms are otherwise satisfactory to Centuria Capital)

(d) support the on-going management of the Office Fund by 360 CIML (which pursuant to the Additional Transactions proceeding will be owned by Centuria Capital).

117 CMA has indicated that if the Proposal is approved, CMA's current intentions in relation to the 8.8% interest in the Office Fund to be acquired are to:

(a) maintain the investment in the Office Fund as a long-term strategic investment

(b) maximise the return on CMA's investment

(c) vote the 8.8% interest having regard to the best interests of CMA stapled securityholders if a corporate transaction were to arise

(d) support the on-going management of the Office Fund by 360 CIML (which pursuant to the Additional Transactions proceeding will be owned by Centuria Capital).

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36 Reflecting the Additional Transactions which are inter-conditional with the Proposal, 360 Capital has also indicated an intention to significantly reduce its overall property related activities.

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Other considerations

118 We note that voting against the Proposal does not preclude a potential transaction between 360 Capital and Centuria Capital / CMA. In the event that the Proposal does not proceed, 360 Capital could sell 19.9% of the units in the Office Fund to Centuria Capital / CMA without the need for unitholder approval[37]. Given the indicated intention of 360 Capital to exit its investment in the Office Fund, this would leave a stock overhang of 8.9% of the units on issue.

119 The impact of this stock overhang may be reduced if Centuria Capital / CMA then sought to acquire further units in the Office Fund (which, prima facie, would support the Office Fund unit price). However, the level of potential support would be limited, as Centuria Capital / CMA could only acquire further units in the Office Fund under a number of limited mechanisms, such as the acquisition of a 3% interest in the Office Fund every six months under the "creep" provisions of the Corporations Act[38].

120 Centuria Capital has indicated that if the Proposal is approved (and as a result of the inter-conditional Additional Transactions, 360 CIML is acquired) it will continue to operate the Office Fund in accordance with its existing mandate and does not expect to make any significant changes to the operation of the Fund or the associated RE arrangements.

121 We have been advised by Office Fund management that the costs associated with the proposed transaction are to be borne by 360 Capital as vendor. Consequently, it is not expected that the Office Fund will incur any material direct costs as a result of the Proposal irrespective of the outcome of the unitholder approval process.

Conclusion

122 As noted above there are both advantages and disadvantages to non-associated Office Fund unitholders implicit in the Proposal.

123 If the Proposal is approved:

Advantages

(a) there is no change in the voting and ownership interests of Office Fund unitholders under the Proposal. The majority unitholder in the Office Fund (i.e. 360 Capital) is being replaced by Centuria Capital / CMA, who have indicated a long-term commitment to the Office Fund (as compared to an intention to exit as indicated by 360 Capital)

(b) it removes the perceived stock overhang which is likely to result if the Proposal is not approved (refer paragraphs 118 and 119 above)

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37 Whilst we note that a 28.8% unitholder can act to prevent both a takeover and a trust scheme of arrangement and 19.9% unitholder can only block a takeover, in our view, a potential acquirer would consider it commercially unrealistic to seek to implement a scheme of arrangement without the consent of the 19.9% unitholder. Furthermore, we have been advised that should Centuria Capital / CMA acquire a 28.8% interest (as envisaged by the Proposal), Centuria Capital / CMA may be prevented from voting on a trust scheme by virtue of s253E of the Corporations Act.

38 We note that pursuant to the "creep" provisions, Centuria Capital / CMA could acquire an aggregate 28.8% interest in the Office Fund over a period of some 18 months.

(c) non-associated Office Fund unitholders are not precluded from an opportunity to participate in any future takeover offer for the Office Fund. Approval of the Proposal results in Centuria Capital / CMA, a logical buyer of the non-associated unitholders' interest in the Office Fund, holding (in aggregate) a significant interest in the Fund. The potential therefore exists (and is arguably enhanced) for a future corporate transaction in this regard. To that end, CMA has indicated an intention to seek to develop a merger proposal in the near term. However, we note that there are no current discussions between the parties in relation to a possible merger and there is no certainty that such a proposal will be forthcoming

Disadvantages

(d) based on our assessed value of the Office Fund together with recent share market trading in Office Fund units, 360 Capital is receiving a premium for control for its unitholding in the Office Fund, the consideration for which is based on the reported net assets of the Office Fund as at 30 June 2016.

(e) the acquisition by Centuria Capital / CMA of a 28.8% interest could potentially act as an deterrent to a potential third party acquirer of the Office Fund. However:

   (i) subsequent to the acquisition by Centuria Capital / CMA the position of the non-associated unitholders is arguably unchanged from that which currently exists (as regards to the interest of the majority unitholder in the fund)

   (ii) 360 Capital could sell 19.9% of the units on issue to Centuria Capital, without unitholder approval[39]

   (iii) in the alternative, if 360 Capital were to place its unitholding for sale on-market, downward pressure on the Office Fund unit price is likely to result.

124 In our opinion, there are no significant advantages or disadvantages to non-associated Office Fund unitholders implicit in the Proposal. However, there are potential disadvantages if the Proposal is not approved. Accordingly, in our opinion, there is no apparent incentive or benefit to be gained by the non-associated Office Fund unitholders by voting against the Proposal. Therefore, on balance, we consider the advantages of the Proposal to outweigh the disadvantages from the perspective of Office Fund unitholders not associated with the Proposal.

125 In addition to the above, we have also reviewed the Additional Transactions in order to assess whether, in our opinion, 360 Capital is receiving any collateral benefit from these transactions. In our opinion, nothing has come to our attention in respect of the Additional Transactions that would cause us to change our view on the Proposal (Office Fund unitholders not associated with the Proposal and Additional Transactions should refer to our Collateral Benefits Report for our full opinion[40]).

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39 Whilst we note that a 28.8% unitholder can act to prevent both a takeover and a trust scheme of arrangement and 19.9% unitholder can only block a takeover, in our view, a potential acquirer would consider it commercially unrealistic to seek to implement a scheme of arrangement without the consent of the 19.9% unitholder. Furthermore, we have been advised that should Centuria Capital / CMA acquire a 28.8% interest (as envisaged by the Proposal), Centuria Capital / CMA may be prevented from voting on a trust scheme by virtue of s253E of the Corporations Act.

40 Our report on Collateral Benefits is also enclosed with the Notice of Meeting.

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Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting to be sent to Office Fund unitholders in connection with the Proposal.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. LEA is entitled to receive a fee estimated at $275,000 plus GST for the preparation of its IER on the Proposal and our report on Collateral Benefits.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

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Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Nathan Toscan and Ms Julie Planinic, who are each authorised representatives of LEA. Mr Toscan and Ms Planinic have over 12 years and 19 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of 360 CIML (the RE to the Office Fund) to accompany the Notice of Meeting to be sent to Office Fund unitholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether the advantages of the Proposal outweigh the disadvantages from the perspective of Office Fund unitholders not associated with the Proposal.

Interests

4 At the date of this report, neither LEA, Mr Toscan nor Ms Planinic have any interest in the outcome of the Proposal or the Additional Transactions. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 LEA has previously prepared a number of IERs for 360 Capital (e.g. the August 2013 IER on 360 Capital's merger with the Trafalgar Corporate Group). These independent reports were prepared during the period April 2011 and August 2013. We have considered the matters described in ASIC Regulatory Guide 112 – *Independence of experts* (Part C), and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

6 LEA has had no prior business or professional relationship with CMA (or other entities associated with Centuria Capital) prior to the preparation of this report.

Indemnification

7 As a condition of LEA's agreement to prepare this report, the Office Fund agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of the Office Fund which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

8 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting.

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Appendix C

Trading evidence – A-REITs

1 We set out below the trading evidence for a number of selected ASX listed A-REITs, with a brief description following:

Selected listed A-REIT multiples[1]

	Property management	Market cap A$m	Gearing[2] %	Distribution yield[3] Historic FY16 %	Forecast FY17 %	FY18 %	Premium / (discount) NTA %
Diversified A-REITs							
Dexus Property Group	Internal	8,537	23.7	4.9	5.1	5.2	17.1
Growthpoint Properties Australia	Internal	1,963	35.8	6.7	7.1	7.2	17.2
Charter Hall Group[4]	Internal	1,795	(8.8)	6.2	6.4	6.6	42.9
Abacus Property Group	Internal	1,580	7.9	6.2	6.3	6.5	6.5
Aspen Group	Internal	106	(95.4)	8.8	na	na	(17.1)
Office A-REITs							
Investa Office Fund	External	2,604	25.4	4.6	4.7	4.9	0.2
Cromwell Property Group	Internal	1,564	38.3	9.2	9.1	9.2	9.9
GDI Property Group	Internal	523	34.8	8.0	8.2	7.8	(4.0)
Brookfield Prime Property Fund	External	310	46.3	3.2	3.8[5]	na	(17.1)
Australian Unity Office Fund	External	282	29.3	4.7	7.5	7.5	3.1
Centuria Metropolitan REIT	External	245	34.4	8.3	8.5	8.8	(6.0)
360 Capital Office Fund	External	159	19.7	7.8	7.8	8.0	(3.6)
Industrial A-REITs							
Goodman Group[4]	Internal	11,594	11.0	3.7	3.9	4.2	58.0
360 Capital Industrial Fund	External	509	43.1	9.0	9.1	9.1	3.4
Industria REIT	External	339	37.7	7.5	7.7	8.0	1.5

Note:
1 Above calculated as at 18 November 2016.
2 Gearing equals net debt divided by enterprise value. Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
3 Excludes capital returns and special distributions.
4 Charter Hall Group and Goodman Group have large fund management operations.
5 Brookfield Prime FY17 forecast is based on quarterly distributions of 6.0 cents per unit.
Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.
na – not available.

Diversified REITs

DEXUS Property Group (DEXUS)

2 DEXUS is one of Australia's largest real estate groups, with operations covering the development, management and ownership of office and industrial properties. As at 30 June 2016, the group's property portfolio was valued at $22.2 billion, including its directly owned office and industrial property ($11.0 billion) and property managed for third party

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Appendix C

clients ($11.2 billion)[41]. The group's directly owned office portfolio is valued at around $9.0 billion with over 1.8 million square metres across 58 office properties situated in the CBDs of Sydney (where it is the largest institutional owner of office buildings), Melbourne, Brisbane, Perth, Adelaide and Canberra. In addition, DEXUS actively manages office, industrial and retail properties across Australia on behalf of third party capital partners.

Growthpoint Properties Australia

3 Growthpoint Properties Australia is an ASX listed landlord with a mandate to invest in Australian office, industrial and retail property, with a portfolio currently worth $2.8 billion. As at 30 June 2016, the group's portfolio comprised 58 industrial and office properties across Australia. At the date of this report Growthpoint Properties Australia was also in the process of completing a $321 million off-market takeover of the GPT Metro Office Fund.

Charter Hall Group

4 Charter Hall Group is a property fund manager and developer managing a suite of institutional, wholesale and retail unlisted property funds (office, retail, industrial and residential) in which it also holds investments. The group's funds management portfolio includes $17.5 billion of property assets[42], comprised of 296 office, retail and industrial properties located across every state and territory in Australia. Its investment portfolio totals $1.1 billion[42], covering the industrial, office and retail property sectors.

Abacus Property Group

5 Abacus Property Group is a diversified property investment group with property investment, funds management and property development operations. It owns a diversified investment portfolio of office, storage, industrial and retail properties with a book value of $1.6 billion[42] located in NSW, Victoria, the ACT, South Australia, Queensland and New Zealand. In addition, the group had a total of $1.4 billion invested in office and retail properties with its investment partners and a total of $500 million in development and financing projects on its balance sheet[42].

Aspen Group

6 Aspen Group is a property group focused on servicing the accommodation sector. The group's current portfolio comprises five holiday and accommodation parks across Australia as well as the Spearwood South industrial property in Perth. Aspen Group also administers funds management products and related investment services. As at 30 June 2016, the gross asset value of the group's property portfolio was approximately $86 million.

41 The group also has a $4.7 billion development pipeline ($1.7 billion of owned property and $3.0 billion for third party clients).

42 As at 30 June 2016.

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Appendix C

Office A-REITs

Investa Office Fund

7 Investa Office Fund is an ASX listed REIT that holds some $3.6 billion assets under management and 22 investments located in core CBD markets throughout Australia[42]. Its properties are predominantly located in Sydney (59% of total assets), with Melbourne (21%) and Brisbane (14%) its next largest locations. Its tenant register is predominantly comprised of government and blue chip tenants. The fund is externally managed by Investa Listed Funds Management Limited.

Cromwell Property Group

8 Cromwell Property Group is a global real estate investment manager. The group has an Australian direct property investment portfolio of some $2.3 billion as well as total assets under management of $10.3 billion across Australia, New Zealand and Europe[42]. A large portion of Cromwell Property Group's property portfolio is focused towards the office sector, with many properties internally managed.

GDI Property Group

9 GDI Property Group is an integrated internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of office properties. The group currently manages property investments in Sydney, Brisbane, Perth, Adelaide, Canberra, Tasmania and south east Queensland and manages seven unlisted investment schemes.

Brookfield Prime Property Fund

10 Brookfield Prime Property Fund is an office property fund listed on the ASX. The fund owns 100% of American Express House, 12 Shelley Street, Sydney and 50% of both 680 George Street / 50 Goulburn Street, Sydney and 108 St Georges Terrace, Perth. In total the fund has some $702 million assets under management with a portfolio weighted average lease expiry of approximately 3.6 years[42]. The fund is externally managed by Brookfield Capital Management Limited.

Australian Unity Office Fund

11 Australian Unity Office Fund is an ASX listed REIT that owns eight office properties located across CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra. As at 30 June 2016, the Australian Unity Office Fund held assets under management of some $392.8 million, with a diversified income profile of approximately 90 tenants and a weighted average lease expiry of 4.7 years. The fund is externally managed by Australian Unity Investment Real Estate Limited.

Centuria Metropolitan REIT

12 Centuria Metropolitan REIT is an ASX listed REIT that focuses on acquiring office and industrial properties in metropolitan markets across Australia (i.e. Sydney, Brisbane, Canberra and Adelaide). Its current $398.7 million portfolio comprises 13 properties, including 10 office and three industrial properties, with a weighted average lease expiry of 4.4 years. The fund is externally managed by Centuria Capital Limited.

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Appendix C

360 Capital Office Fund

13 Office Fund is an ASX listed REIT that focuses on acquiring Australian located A-grade suburban and B-grade central business district office properties in the $30 million to $100 million range with a focus on yield and security of income. Its current $207.9 million property portfolio consists of three A-grade suburban offices properties (two in Brisbane and one in Melbourne). The fund does not invest offshore and is not exposed to development risk. The fund is externally managed by 360 Capital.

Industrial REITs

Goodman Group

14 Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. The group is the largest industrial property group listed on the ASX and is one of the largest listed specialist investment managers of industrial property globally. Goodman Group operates four divisions, namely Property Investment, Fund Management, Property Services and Property Development, and owns a $2.7 billion investment property portfolio[42].

360 Capital Industrial Fund (Industrial Fund)

15 The Industrial Fund is an externally managed REIT that listed on the ASX on 13 December 2012. The Industrial Fund focuses on passive rent collection from acquiring warehouse and logistics properties in Australia. Its property portfolio substantially increased in size in December 2015 as a result of its acquisition of ANI. Its current $905.2 million property portfolio consists of 37 industrial properties geographically diversified across Australia. The fund is externally managed by 360 Capital.

Industria REIT

16 Industria REIT is an ASX listed REIT that owns interests in office and industrial properties that provide functional and affordable workspaces for business. The REIT's $545.0 million portfolio of 16 properties is geographically diversified across the major Australian cities. Industria REIT is externally managed by APN Property Group and governed by a majority independent board.

Appendix D

Transaction evidence – A-REITs

1 A selection of relevant transactions from early 2009 (i.e. post the global financial crisis) involving A-REITs for which financial information is available is set out below (with a brief description of each of the transactions and target companies following):

Transaction multiples – A-REITs

Date[1]	Target	Acquirer	Value[2] A$m	Distribution yield[3] Historic %	Forecast %	Premium / (discount) to NTA[4] %
Diversified A-REITs						
Jun 14	Australand Property Group	Frasers Centrepoint	2,606.3	4.8	5.7	21.7
Apr 14	Challenger Diversified Property Group	Challenger Australia Listed Property Holding Trust	586.6	6.5	6.8	1.1
Apr 12	Thakral Holdings	Brookfield Asset Mgmt	506.7	na	7.9	(12.9)
Apr 11	Valad Property[5]	Blackstone Real Estate	208.4	na	na	(22.4)
Apr 11	Rabinov	Growthpoint	49.6	9.2	na	(4.3)
Oct 09	Mirvac REIT	Mirvac	335.6	5.9	6.0	(29.9)
Non-diversified A-REITs						
Jul 16	GPT Metro Office Fund	Growthpoint Properties Australia	321.3	6.1	6.2	6.4
Nov 15	Aspen Property Parks Fund	Discovery Parks Group	146.6	6.3	6.3	36.3
Feb 15	Novion Property Group	Federation Centres	7,846.1	5.3	5.4	29.4
Dec 14	Australian Industrial REIT	360 Capital Industrial Fund	210.2	8.4	8.9	12.5
Nov 14	Folkestone Social Infrastructure Trust	Folkestone Education Trust	89.4	6.4	6.7	4.8
Sep 14	Mirvac Industrial Trust	Goldman Sachs Group	77.6	na	na	3.9
Dec 13	Commonwealth Property Office Fund	Dexus / CPPIB Consortium	3,114.1	5.3	5.5	5.8
Dec 13	Westfield ANZ	Westfield Retail Trust	8,326.9	na	na	42.5
Feb 12	Tishman Speyer Office Fund	TS US Office Holdings GP	313.3	na	na	18.2
Jan 12	Abacus Storage Fund	Abacus Property	132.6	7.4	na	(8.1)
Jan 12	Charter Hall	Consortium	1,228.4	8.1	5.8	(4.0)
Oct 10	ING Industrial Fund[5]	Consortium (Goodman)	1,394.4	3.0	6.0	(3.9)
May 10	MacarthurCook IPF	CommonWealth REIT	43.3	4.5	4.5	(30.7)
Apr 10	Westpac Office Trust	Mirvac	399.0	8.0	na	(1.5)
May 09	Orchard IPF	Growthpoint Properties Australian Trust	255.4	20.6	8.8	(11.1)

Note:
1 Date of announcement.
2 Implied value of 100% if transaction does not already involve a 100% acquisition.
3 Excludes returns of capital and special distributions.
4 Based upon latest reported NTA.
5 Valad and ING Industrial Fund both had substantial funds management operations at the date of the transaction.
Source: Bloomberg, Capital IQ, ASX announcements, IERs, press articles and LEA analysis.
na – not available.

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Diversified A-REITS

Acquisition of Australand Property Group by Frasers Centrepoint Limited

2 On 1 July 2014, Australand Property Group entered into a bid implementation agreement with Frasers Centrepoint whereby Australand Property Group securityholders would receive $4.48 cash consideration per stapled security. Australand Property Group was one of Australia's leading diversified property groups with an industrial and office property portfolio of $2.4 billion. The group was also involved in the development and construction of commercial, industrial and residential properties which accounted for almost 40% of operating EBIT in the year prior to the transaction.

Acquisition of Challenger Diversified Property Group (CDI) by Challenger Australia Listed Property Holding Trust (Challenger Australia)

3 On 11 April 2014, Challenger Australia (a related entity of Challenger Life Company Limited (Challenger Life)), a wholly owned subsidiary of ASX listed company Challenger Limited) announced a cash offer to acquire all units in CDI for $2.74 per CDI unit. At the time of the offer, Challenger Life held 58.7% of the units in CDI. CDI was a diversified A-REIT with interests in 27 office, retail and industrial properties located in Australia and France with a carrying value of $867 million. Its portfolio of properties was predominately located in Australia (93%) and was geographically diversified across all six states.

Takeover offer for Thakral Holdings Group by Brookfield Asset Management Inc.

4 On 19 April 2012, Brookfield Asset Management made a conditional off-market all cash takeover offer for Thakral Holdings Group at $0.70 per fully paid stapled security, less any dividend or distribution paid. Brookfield Asset Management increased this to $0.81 per fully paid stapled security on 27 August 2012, subject to reaching 90% acceptance of the offer. Thakral Holdings Group was an ASX listed property owner and developer. Its portfolio included hotels, retail and commercial assets and property development projects with a total book value of approximately $1 billion.

Blackstone Real Estate LLC's acquisition of Valad Property Group

5 On 29 April 2011, Valad Property Group announced that it had entered into an agreement with Blackstone Real Estate for the acquisition of all the stapled securities in Valad Property Group for $1.80 per security by way of a scheme of arrangement. At the time of acquisition Valad Property Group was a diversified ASX listed real estate company that owned some $0.7 billion of direct property, with a funds management operation that oversaw a real estate portfolio worth around $7.2 billion (with some $6.4 billion of this located in Europe).

Growthpoint Australia Limited acquisition of Rabinov Property Trust

6 On 13 April 2011, Growthpoint Australia in its capacity as RE for Growthpoint Trust made a takeover offer for all the units in Rabinov Property Trust. Under the offer, Rabinov unitholders received 0.48 Growthpoint Australia shares and a special distribution of 2.3 cents for each unit held in Rabinov Property Trust. At the time of the acquisition Rabinov owned a diversified portfolio of office, retail and industrial properties across Victoria, Tasmania, South Australia and Queensland.

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Mirvac Group's acquisition of Mirvac Real Estate Investment Trust (MREIT)

7 On 12 October 2009, MREIT announced that it had received a proposal from Mirvac Group for the acquisition of all the issued units in MREIT. MREIT unitholders were provided with a choice of consideration, either all scrip (being one Mirvac share for every unit held) or a mix of cash and scrip (being $0.50 cash per unit held, up to 20,000 units, plus one Mirvac share for every three units held in excess of 20,000 units). MREIT unitholders were also entitled to a special distribution of 1.0 cent per unit. At the date of acquisition MREIT was a diversified real estate investment trust with a portfolio consisting of commercial, retail, industrial and hotel properties.

Non-diversified A-REITS

Acquisition of GPT Metro Office Fund by Growthpoint Properties Australia (Growthpoint)

8 On 1 July 2016, Growthpoint made an offer to acquire all the units in GPT Metro Office Fund. This offer gazumped Centuria Metro REIT's offer announced on 16 June 2016, which included consideration of $0.31 cash and one Centuria Metro REIT stapled security per GPT Metro Office Fund unit. Under the successful Growthpoint offer, GPT Metro Office Fund unitholders received 0.3968 Growthpoint stapled securities and $1.25 cash per unit. GPT Metro Office Fund was an externally managed ASX listed REIT offering investors exposure to a $439.3 million portfolio of six office properties located in Sydney, Melbourne and Brisbane.

Acquisition of Aspen Parks Property Fund (APPF) by Discovery Parks Group

9 On 14 September 2015, Aspen Group and APPF announced that they had entered into an agreement to merge the two groups. Under the agreement APPF securityholders would receive $0.50 per APPF security and could elect to receive the consideration in cash, scrip or a combination of both. On 26 October 2015, Discovery Parks Group announced a competing off-market takeover for APPF for cash consideration of $0.58 per APPF security. In order to secure the asset, on 20 November 2015, Discovery Parks Group increased its offer to $0.63 per APPF security. At the time of the acquisition APPF owned and operated a $223.1 million portfolio of 21 accommodation style properties throughout Australia.

Merger of Novion Property Group (Novion) and Federation Centres

10 On 3 February 2015, Novion and Federation Centres announced that they had entered into an agreement to merge the two groups. Under the agreement Novion securityholders would receive 0.8225 Federation Centres stapled securities per Novion security. At the time of the merger Novion was one of Australia's largest retail property groups with a fully integrated funds and asset management platform and $14.9 billion in retail assets under management. Novion held interests in 27 retail assets across Australia valued at $9.1 billion and was internally managed.

Acquisition of Australian Industrial REIT (ANI) by Industrial Fund

11 On 19 December 2014, ANI announced that it had received an unsolicited off-market all scrip takeover offer from 360 CIML as RE for the Industrial Fund to acquire all of the units in ANI. Under the offer ANI unitholders would receive 0.89 Industrial Fund units for every ANI unit and an additional 3.0 cents per unit if 360 CIML was appointed RE of ANI or if in excess of 50% ANI unitholders accept the offer. This offer was subsequently increased a number of

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times over the following nine months, while ANI concurrently solicited other bidders. On 22 September 2015 Industrial Fund increased its offer to 0.90 Industrial Fund units and 24.5 cents cash per ANI unit[43], as well as a further 4.84[44] cents cash per ANI unit for unitholders who accepted before 12 October 2015. At the time of the acquisition ANI was an Australian REIT that held a $330.1 million portfolio of 16 industrial properties located across Sydney, Melbourne and Perth.

Merger of Folkestone Social Infrastructure Trust (FST) with Folkestone Education Trust (FET)

12 On 13 November 2014, FST announced that it had entered into a merger agreement with FET, by way of a trust scheme under which FET would acquire FST. Under the merger FST unitholders would receive 1.32 FET units plus cash consideration of $0.675 for every FST unit (implying a value of $3.14 per FST unit). FST was an externally managed ASX listed REIT that invested in Australian social infrastructure property and securities. At the time of the proposed merger FST held 49 properties, with property assets geographically diversified across Australia, with a value of $93.3 million.

Acquisition of Mirvac Industrial Trust (MIX) by the Goldman Sachs Group

13 On 19 September 2014, MIX announced that it had entered into a Scheme Implementation Agreement with Austfunding Pty Ltd, a wholly owned subsidiary of Goldman Sachs Group under which Goldman Sachs Group would acquire all of the units in MIX. Under the offer, MIX unitholders would receive a cash payment of $0.214 per MIX unit (based on an A$/US$ exchange rate of 0.8973). MIX was an externally managed industrial property trust listed on the ASX that owned a portfolio of industrial properties in the greater Chicago metropolitan region in the US. At the time of the acquisition MIX owned 24 B-grade industrial properties with a book value of US$164.0 million.

Acquisition of Commonwealth Property Office Fund (CPA) by DEXUS / Canada Pension Plan Investment Board (CPPIB) Consortium

14 On 11 December 2013, DEXUS and CPPIB announced a joint cash and scrip off-market takeover offer to acquire all of the issued units in CPA (the consideration for which was varied on 10 January 2014 to provide two alternative forms of consideration). Under the revised offer CPA unitholders could elect to receive $0.8496 cash and 0.3801 DEXUS securities per CPA unit or $0.7745 cash and 0.4516 DEXUS securities per CPA unit, both of which had a value of approximately $1.23 per CPA unit. CPA was an externally managed A-REIT that focused on acquiring office properties across Australia. At the time of the acquisition CPA had a portfolio of 25 office properties geographically diversified across Australia with a book value of $3.8 billion.

Restructure of Westfield Group and Westfield Retail Trust (WRT)

15 On 4 December 2013, Westfield Group and WRT announced a proposal to merge Westfield Group's Australian / New Zealand business with WRT to form a new entity to be known as Scentre Group, with the international business of Westfield Group to become Westfield Corporation. Under the proposal WRT securityholders would receive $0.285 cash and

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[43] 14.5 cents per unit to be paid by Industrial Fund and 10.0 cents per ANI unit to be paid by 360 Capital.

[44] Being the ANI equivalent of the Industrial Fund's September distribution.

918 securities in Scentre Group for every WRT security held. Westfield Group securityholders would receive one security in the new Westfield Corporation and 1.246 securities in Scentre Group for every Westfield Group security held. WRT was Australia's largest REIT solely focused on Australian and New Zealand retail property, with total assets of $13.8 billion as at 30 June 2016.

Sale of Tishman Speyer Office Fund (TSO) interest in Tishman Speyer US Office Inc (US REIT) to TS US Office Holdings GP LLC (TSCE)

16 On 10 February 2012 Tishman Speyer Australia Limited as RE of TSO announced that it had entered into an implementation agreement and a sale and purchase agreement with TSCE in relation to the sale of 100% of TSO's interest in US REIT. Under the offer TSCE would pay TSO US$338.4 million for its interest in US REIT, resulting in a minimum distribution of US$0.985 per TSO unit. TSO was an ASX listed REIT that had interests in 16 commercial office properties located across major markets in the US.

Merger of Abacus Property Group and Abacus Storage Fund

17 On 13 January 2012, Abacus Property Group and Abacus Storage Fund announced that the two entities would merge, whereby Abacus Storage Fund unitholders received 0.538 stapled securities in the merged entity. The merger ratio was based on the relative NTA position of the two entities at the date of the merger. At this date Abacus Property Group owned and managed properties located in Australia and New Zealand, while Abacus Storage Fund owned self-storage facilities in Australia and New Zealand.

Acquisition of Charter Hall Office REIT by a Consortium

18 On 3 January 2012, Charter Hall Office REIT announced that its RE, Charter Hall Office Management Limited, had entered into a scheme implementation agreement with Reco Ambrosia Pte Ltd, the Public Sector Pension Investment Board of Canada and a member of Charter Hall Group for the acquisition of all the units in the Charter Hall Office REIT. The consideration included $1.8332 cash and a special distribution of $0.65 for each Charter Hall Office REIT unit. At this date Charter Hall Office REIT was an ASX listed REIT with a portfolio of office buildings in Australia and the US.

Acquisition of ING Industrial Fund by a Consortium

19 On 28 October 2010, ING Industrial Fund announced that it had received a takeover offer from a consortium consisting of Goodman Group, Leader Investment Corporation, the Canadian Pension Plan Investment Board and the All Pensions Group. The consideration paid was $0.537975 per ING Industrial Fund unit. At the time of the acquisition, ING Industrial Fund held a portfolio of 61 properties located in Australia and Europe, as well as some $2.5 billion of FUM.

CommonWealth REIT's acquisition of MacarthurCook Industrial Property Fund (MacarthurCook IPF)

20 On 3 May 2010, MacarthurCook Fund Management Limited, the RE of MacarthurCook IPF, announced that it had received a takeover offer from CommonWealth REIT to acquire all the units in MacarthurCook. At the time of acquisition, MacarthurCook owned a diversified industrial properties portfolio. The consideration paid by CommonWealth REIT was $0.44 per MacarthurCook unit.

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Mirvac Group's acquisition of Westpac Office Trust

21 On 28 April 2010, Westpac Office Trust announced that it had entered into a scheme of implementation with Mirvac Group for the acquisition of all the units in the Westpac Office Trust. At the time of the acquisition Westpac Office Trust owned and managed a portfolio of office assets worth approximately $1.1 billion. Shareholders of Westpac Office Trust had the option to either participate in a cash option or a scrip option (up to a capped limit). Under the cash option, unitholders received $0.86 Westpac Office Trust per unit and under the share option unitholders received 0.597 Mirvac shares per Westpac Office Trust unit.

Acquisition of Orchard IPF by Growthpoint Properties Limited

22 On 18 May 2009, Orchard IPF announced that it had entered into an implementation agreement with Growthpoint Properties to recapitalise and restructure the fund via a $200 million capital raising, comprising a $56 million placement and a $144 million rights issue. Management of the fund was also to be internalised following the acquisition. At the time of acquisition, Orchard IPF held 23 industrial properties approximately 50% of which were located in Victoria.

Appendix E

Glossary

Term	Meaning
111 SGT	360 Capital 111 St Georges Terrace Property Trust
360 Capital	360 Capital Group
360 CIML	360 Capital Investment Management Limited
360 CIML Proposal	Proposal under which entities associated with Centuria Capital will acquire all the shares in 360 CIML
360 CIT	360 Capital Investment Trust
441 Murray Street Trust	360 Capital 441 Murray Street Property Trust
A-REIT	Australian real estate investment trust
Additional Transactions	The 360 CIML Proposal, the Co-investment Transactions and the Vendor Loan
ANI	Australian Industrial REIT
APPF	Acquisition of Aspen Parks Property Fund
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CBD	Central business district
CDI	Challenger Diversified Property Group
Centuria Capital	Centuria Capital Group
Challenger Australia	Challenger Australia Listed Property Holding Trust
Challenger Life	Challenger Life Company Limited
CMA	Centuria Metropolitan REIT
Co-investment Transactions	Centuria Capital, or entities associated with Centuria Capital, proposed acquisition of 360 Capital's interests in the Industrial Fund, the 441 Murray Street Trust, the Havelock House Trust, 111 SGT and the Retail Fund
Corporations Act	*Corporations Act 2001 (Cth)*
CPA	Commonwealth Property Office Fund
CPFL	Centuria Property Funds Limited
CPPIB	Canada Pension Plan Investment Board
cpu	Cents per unit
DCF	Discounted cash flow
DEXUS	DEXUS Property Group
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
FET	Folkestone Education Trust
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FST	Folkestone Social Infrastructure Trust
FY	Financial year
Growthpoint	Growthpoint Properties Australia
Havelock House Trust	360 Capital Havelock House Property Trust
HY16	Half year to 30 June 2016
IER	Independent expert's report
Industrial Fund	360 Capital Industrial Fund
LEA	Lonergan Edwards & Associates Limited
LVR	Loan to value ratio
MacarthurCook IPF	MacarthurCook Industrial Property Fund
MIX	Mirvac Industrial Trust
MREIT	Mirvac Real Estate Investment Trust
NLA	Net lettable area

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Term	Meaning
Novion	Novion Property Group
NPV	Net present value
NTA	Net tangible assets
Office Fund	360 Capital Office Fund
Proposal	The proposed sale by 360 Capital of its 28.8% interest in the Office Fund to Centuria Capital and entities associated with Centuria Capital for cash consideration of $2.25 per unit
RE	Responsible entity
REIT	Real estate investment trusts
Retail Fund	360 Capital Retail Fund No. 1
RG 74	Regulatory Guide 74 – *Acquisitions approved by members*
RG 111	Regulatory Guideline 111 – *Content of expert reports*
TSCE	TS US Office Holdings GP LLC
TSO	Tishman Speyer Office Fund
US REIT	Tishman Speyer US Office Inc
Vendor Loan	18 month $50 million 5.0% per annum interest only loan from 360 Capital to Centuria Capital
VWAP	Volume weighted average price
WALE	Weighted average lease expiry
WANOS	Weighted average number of securities outstanding
WRT	Westfield Retail Trust

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The Directors
360 Capital Investment Management Limited
Level 8, 56 Pitt Street
Sydney NSW 2000

2 December 2016

Subject: Collateral benefit report on Additional Transactions

Dear Directors

Introduction

Additional Transactions

1 On 23 November 2016, 360 Capital Group (360 Capital) and Centuria Capital Group (Centuria Capital) announced that they had entered into various agreements pursuant to which it is proposed that entities associated with Centuria Capital will acquire all the shares in 360 Capital's property funds management platform, 360 Capital Investment Management Limited (360 CIML) (360 CIML Proposal), and co-investment stakes in a number of 360 CIML managed real estate investment trusts (REIT), namely (Co-investment Transactions):

(a) the 360 Capital Industrial Fund (Industrial Fund)

(b) the 360 Capital 441 Murray Street Property Trust (441 Murray Street Trust)

(c) the 360 Capital Havelock House Property Trust (Havelock House Trust)

(d) the 360 Capital 111 St Georges Terrace Property Trust (111 SGT)

(e) the 360 Capital Retail Fund No.1 (Retail Fund).

2 360 Capital also proposes to provide Centuria Capital with a 5.0% per annum interest only loan for $50 million for a term of 18 months (Vendor Loan).

3 We collectively refer to the 360 CIML Proposal, the Co-investment Transactions and the Vendor Loan as the "Additional Transactions".

The Proposal

4 In conjunction with the announcement of the Additional Transactions, 360 Capital also announced that it had entered into a Unit Sale Deed with Centuria Capital pursuant to which it proposes to sell its 28.8% interest in the 360 Capital Office Fund (Office Fund) to Centuria Capital and entities associated with Centuria Capital for cash consideration of $2.25 per unit[1] (the Proposal), apportioned as follows:

[1] Adjusted as appropriate for the accrued quarterly distribution entitlement at completion.

(a) approximately 19.9% to Centuria Capital[2]

(b) approximately 8.9% to Centuria Metropolitan REIT (CMA)[3], being an entity associated with Centuria Capital.

Inter-conditionality of the Proposal and the Additional Transactions

5 The Proposal is conditional upon Office Fund unitholder approval as well as the 360 CIML Proposal proceeding.

6 The 360 CIML Proposal is conditional upon, among other things, the approval of 360 Capital securityholders[4] and the approval of 360 Capital Investment Trust (360 CIT) noteholders as well as the Proposal proceeding.

7 The Co-investment Transactions and Vendor Loan will only proceed if the 360 CIML Proposal proceeds.

Purpose of our report

8 Given the circumstances outlined above, including the inter-dependency of the Proposal and the Additional Transactions, the Directors of 360 CIML[5] have requested that Lonergan Edwards & Associates Limited (LEA) prepare a report stating whether, in our view, the consideration to be received by 360 Capital in respect of the Additional Transactions constitutes the receipt of a collateral benefit as interpreted by the Takeovers Panel Guidance Note 21: *Collateral Benefits* (TPGN21).

9 The purpose of our opinion with respect to the Additional Transactions is to assist Office Fund unitholders in considering the resolution to approve the Proposal. We recommend that Office Fund unitholders not associated with the Additional Transactions read this report to gain an understanding of the broader transaction.

Summary of opinion

Basis of assessment

10 In determining whether 360 Capital is receiving a collateral benefit we have considered:

(a) the market value of the securities that are the subject of the Additional Transactions

(b) the value of the consideration offered for those securities

(c) the extent to which (a) and (b) differ (in order to assess whether, prima facie, a net benefit is being provided)

(d) a comparison of the 5.0% interest rate on the $50 million Vendor Loan with market interest rates for similar loans (in order to assess whether the rate is above or below market)

(e) other qualitative and strategic issues associated with the Additional Transactions.

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2 Via the Centuria Capital No. 2 Office Fund (CC2OF).
3 Via Centuria Metropolitan REIT No. 1 (CMR1).
4 Approving a change in the RE of 360 CIT from 360 CIML to 360 Capital FM Limited.
5 The RE of the Office Fund.

11 In addition, in determining whether 360 Capital is receiving a collateral benefit, consistent with our understanding of the principles outlined in TPGN21 requiring an overall view (collectively) of the Proposal and the Additional Transactions, we have considered:

(a) the process undertaken in negotiating the Proposal and the Additional Transactions and the financial terms of the Additional Transactions

(b) the substance and commercial reality of the combined transactions, including the overall effect thereof

(c) any other relevant considerations.

Conclusion

12 Having regard to the basis of our evaluation, the limitations set out in this report and the results of our analysis:

(a) nothing has come to our attention to indicate that the Additional Transactions were not negotiated at arm's length

(b) whilst the aggregate consideration payable in respect of the securities the subject of the Additional Transactions exceeds the aggregate of our independently assessed fair market values of the securities being acquired, nothing has come to our attention to cause us to believe that the consideration payable under the Additional Transactions constitutes the receipt by 360 Capital of a collateral benefit which is inconsistent with a benefit that would generally be expected to arise in association with a merger of two (or more) industry participants in the property funds management sector.

13 Moreover, nothing has come to our attention in respect of the Additional Transactions that would cause us to change the conclusions we have reached in relation to our Independent Expert's Report (IER) on the Proposal (which is also included with the Notice of Meeting).

14 For our full opinion on collateral benefits and the reasoning behind our opinion, we recommend that Office Fund unitholders read the remainder of our report.

Yours faithfully

Nathan Toscan
Authorised Representative

Julie Planinic
Authorised Representative

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Appendices

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I Outline of the Additional Transactions

Overview

15 On 23 November 2016, 360 Capital and Centuria Capital announced that they had entered into a various agreements in respect of the Additional Transactions. The Additional Transactions which comprise the 360 CIML Proposal, the Co-investment Transactions and the Vendor Loan are described more comprehensively below.

360 CIML Proposal

16 360 Capital and Centuria Capital have entered into a share sale agreement pursuant to which it is proposed Centuria Capital will acquire all the shares in 360 Capital's property funds management platform, 360 CIML (360 CIML Proposal).

17 The acquisition price for 360 CIML is $91.5 million (plus the net assets of 360 CIML of approximately $10.0 million).

18 However, the purchase of 360 CIML does not include any exit, performance and other fees from the 360 Capital Subiaco Square Trust (Subiaco Square Trust) (which is currently in a managed wind-up). 360 Capital will be entitled to these but will also remain responsible for the management of the fund as well as any costs and contingent liabilities associated with winding up the fund (to the extent they cannot be recovered out of the assets of the fund).

19 360 Capital will be responsible for employee entitlements associated with any existing 360 Capital staff member not offered employment by Centuria Capital.

20 Centuria Capital is also entitled to a 'clawback' of up to $3.5 million (of the consideration paid for 360 CIML) in the event that the Office Fund receives a takeover offer from a third party within 12 months from the date of settlement of the 360 CIML Proposal. The 'clawback' can only be used by Centuria Capital for the purposes of contributing to 50% of the total costs of defending the third party takeover offer.

21 The 360 CIML Proposal is conditional upon:

(a) 360 Capital securityholders approving the replacement of 360 CIML as RE with 360 Capital FM Limited, another wholly owned subsidiary of 360 Capital

(b) noteholders in 360 CIT approving the inclusion of an early redemption condition in the conditions of the notes; that 360 Capital FM Limited replace 360 CIML as RE of 360 CIT; and that the notes be redeemed within 20 business days after 360 CIML's replacement

(c) the Proposal being approved by Office Fund unitholders.

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Co-investment Transactions

22 Centuria Capital, or entities associated with Centuria Capital, also propose to acquire 360 Capital's interests in a number of its other co-investments in 360 CIML managed REITs (Co-investment Transactions). Each of the Co-investment Transactions is conditional upon the 360 CIML Proposal proceeding.

Industrial Fund

23 360 Capital has agreed to sell its entire unitholding (33.149 million units) in the Industrial Fund for $2.50 per unit or $82.8 million (plus any accrued distribution).

Unlisted funds

24 360 Capital and Centuria Capital have entered into put and call option arrangements over 360 Capital's investments in a number of unlisted funds. Under the put and call arrangements, Centuria Capital can acquire the units from 360 Capital at any time over the next two years or 360 Capital can sell the units to Centuria Capital at the end of the two year period. A summary of 360 Capital's co-investments subject to the put and call option arrangements are as follows:

Unlisted funds – put and calls

Fund	Unitholding No.	Strike price $	Value $m
441 Murray Street Trust	1,855,000	2.04	3.8
Havelock House Trust	3,574,166	1.41	5.0
111 SGT	8,166,914	3.74	30.6
Retail Fund[1]	21,499,000	0.91	19.6
Total			**59.0**

Note:
1
2 360 Capital owns an additional 7.1 million units (representing an interest of 16.4%) in the Retail Fund, in respect of which it has granted a call option to Centuria Capital. If the call option is not exercised, 360 Capital will continue to hold the units and look to sell down over time.
Source: 360 Capital.

25 In addition to the above, Centuria Capital has guaranteed 360 Capital a 7.5% per annum return on the value of any units that have not been acquired by Centuria until such time options are exercised.

26 Further, should Centuria Capital call the units in 441 Murray Street Trust, 360 Capital will guarantee a return of 8% per annum paid monthly in arrears.

Vendor Loan

27 Should the 360 CIML Proposal proceed, 360 Capital also proposes to provide Centuria Capital with a 5.0% per annum interest only loan for $50 million for a term of 18 months (Vendor Loan).

28 The Vendor Loan can be repaid (without penalty) by providing 10 business days notice. A fee of $0.5 million will be payable if Centuria Capital has not refinanced the loan in 12 months.

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29 The loan is to be secured against Centuria Capital's interest in the Industrial Fund units it acquires as part of the Co-investment Transactions. Centuria Capital will not allow any other security over these units and will undertake not to sell any Industrial Fund units until such time as the Vendor Loan is repaid in full.

30 Centuria Capital will also be required to maintain a loan to value ratio (LVR) of less than 65% in respect of the Vendor Loan. If the LVR is breached, Centuria Capital must provide further Industrial Fund units as security. If the LVR is not 'cured' within two business days, the interest rate will increase to 20% per annum until such time the breach is rectified. If the LVR is greater than 70% and is not 'cured' in five business days, 360 Capital has the right to demand repayment of the loan.

31 If the Conditional Placement component of the capital raising being undertaken by Centuria Capital (in connection with the Additional Transactions and the Proposal) is not approved by Centuria Capital securityholders, then the terms of the $50 million Vendor Loan will be 12 months with interest at 5.0% per annum for the first six months and 7.5% per annum for the second six months.

Exclusivity provisions and break fee

32 360 Capital has agreed that, for the period to 31 December 2016[6], it will not:

(a) solicit, invite, encourage or initiate any competing transaction

(b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction

(c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction

(d) provide any information to a third party for the purposes of enabling that party to table a competing transaction.

33 The exclusivity obligations do not apply if 360 Capital has complied with the various obligations set out in the agreements and the 360 Capital Board determines:

(a) the proposed competing transaction is a superior proposal, or the steps which the 360 Capital Board proposes to take may reasonably be expected to lead to a competing transaction which is a superior proposal[7]; and

(b) based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.

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6 This date being the End Date in the 360 CIML share sale agreement.

7 Subject to any potential breach of fiduciary duties, 360 Capital must notify Centuria Capital if it receives a superior competing proposal and give Centuria Capital five business days to match that competing proposal.

8

34 Should a competing proposal be announced prior to the 360 Capital securityholder meeting and that competing proposal substantially completes within six months of being announced then 360 Capital will pay to Centuria Capital a reimbursement fee of $2.3 million (to cover Centuria Capital's costs).

35 Further detail on the above stated Additional Transactions and the conditions relating thereto are outlined in the Notice of Meeting.

II Scope of our report

Purpose

36 The Directors of 360 CIML have requested that LEA prepare a report stating whether, in our view, the consideration to be received by 360 Capital in respect of the Additional Transactions constitutes the receipt of a collateral benefit as interpreted by the Takeovers Panel in TPGN21.

37 The purpose of our opinion with respect to the Additional Transactions is to assist Office Fund unitholders in considering the resolution to approve the Proposal. We recommend that Office Fund unitholders not associated with the Additional Transactions read this report to gain an understanding of the broader transaction.

Basis of assessment

38 In the absence of any regulatory guidance, we have had regard to TPGN21 in assessing whether anything has come to our attention to cause us to believe that the consideration payable under the Additional Transactions constitutes the receipt by the 360 Capital Group of a collateral benefit.

39 TPGN21 sets out the Takeover Panel's approach to assessing whether there are collateral benefits that give rise to the occurrence of unacceptable circumstances. The Takeover Panel considers that unacceptable circumstances are likely to exist whenever a bidder provides a securityholder something of value (i.e. benefit) which it does not offer to other securityholders.

40 Whilst (in the applicable circumstances) it is ultimately a matter for the Takeovers Panel, TPGN21 sets out a number of ways that a person might seek to establish that there is no net benefit being provided to a particular securityholder. One of those ways is to provide an expert's opinion about whether there is a collateral benefit provided by a bidder to a securityholder that is not offered to other securityholders.

41 An expert's opinion about whether there is a collateral benefit may incorporate a valuation by the expert (or another person). The independent valuation should establish the price that might be negotiated in an open, unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length (market value).

42 Consistent with our understanding of the principles outlined in TPGN21 requiring an overall view of the transactions, we have undertaken both a quantitative and a qualitative analysis of the Additional Transactions. In particular, our report has considered:

(a) the market value of the securities that are the subject of the Additional Transactions

(b) the value of the consideration offered for those securities

(c) the extent to which (a) and (b) differ (in order to assess whether, prima facie, a net benefit is being provided)

(d) a comparison of the 5.0% interest rate on the $50 million Vendor Loan with market interest rates for similar loans (in order to assess whether the rate is above or below market)

(e) other qualitative and strategic issues associated with the Additional Transactions.

Limitations and reliance on information

43 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

44 Our report is also based upon financial and other information provided by the 360 Capital and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

45 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming our opinion. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

46 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

47 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

48 LEA has not undertaken any valuation of the properties owned by the funds which are the subject to the Co-investment Transactions and, for the purposes of this report, has relied upon the carrying values adopted by the Directors of 360 CIML for financial reporting purposes as at 30 June 2016. These carrying values are based on independent property valuations that have been commissioned by the relevant funds.

49 In forming our opinion, we have also assumed that if the Additional Transactions proceed, they will be implemented in accordance with the terms set out in this report.

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III Valuation methodology

Valuation approaches

50 Regulatory Guide 111 – *Content of expert reports* (RG 111) outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

51 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

52 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

53 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

54 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies adopted

55 We have adopted the following primary valuation methodologies in valuing 100% of the shares in 360 CIML and the securities the subject of the Co-investment Transactions:

Methods used		
Component	**Method applied**	**Reason**
Funds / property management (i.e. 360 CIML)	Value of tradeable securities	• Operational business (and its value is not captured on balance sheet) • Whilst 360 CIML is not listed there is sufficient trading in 360 Capital to enable the determination of an implied market value for 360 CIML
Investments in listed and unlisted funds (i.e. co-investments)	Net assets (and value of tradeable securities where appropriate)	• Value of funds primarily lies in the underlying property assets for which the reported financial position reflects independent valuations commissioned by the fund • The listed market price can, where appropriate, provide a reasonable proxy for value

56 We have cross-checked our valuation of 360 CIML for reasonableness by comparing the EBIT (and FUM[8]) multiples implied by our valuation against those exhibited by recent share market trading and transaction evidence.

8 Funds under management.

IV Valuation of the securities the subject of the Additional Transactions

Overview

57 As noted in Section I, the securities the subject of the Additional Transactions are as follows:

Securities the subject of the Additional Transactions	Units No.	Interest %
360 CIML	n/a	100.0
Co-investments		
Industrial Fund	33,148,945	15.6
441 Murray Street Trust	1,855,000	35.7
Havelock House Trust	3,574,166	38.8
111 SGT	8,166,914	44.4(1)
Retail Fund(2)	21,499,000	49.9

Note:
1 Based upon issued units at 30 June 2016. Refer note 3 to the table at paragraph 111.
2 360 Capital owns an additional 7.1 million units (representing an interest of 16.4%) in the Retail Fund, in respect of which it has granted a call option to Centuria Capital.
n/a – not applicable.

58 In the case of 360 CIML we have had primary regard to share market trading in 360 Capital securities. The funds management business of 360 CIML, together with co-investments in the funds / trusts to which 360 CIML provides property management services, comprises the major assets of 360 Capital. As a cross-check on our assessed value we have adopted the capitalisation of EBIT valuation methodology, given the funds management nature of the business operations. We have also considered the reasonableness of our assessed value as compared to the quantum of FUM.

59 The securities the subject of the Additional Transactions relate to REITs, the primary assets of which comprise property investment portfolios[9]. We have therefore valued these securities primarily by reference to the respective net asset values, as the majority of value lies in the investment portfolios of property assets, a large number of which have been independently valued by external property valuers[10].

360 CIML

60 360 CIML is a wholly owned subsidiary of 360 Capital and acts as the RE and/or custodian for a number of managed investment schemes in which 360 Capital co-invests (i.e. investment schemes in which 360 Capital holds / held an investment interest). As at 30 June 2016, 360 CIML acted as RE and/or custodian in respect of funds with aggregate gross assets of around $1.5 billion, of which the largest was the Industrial Fund with reported gross assets of $923 million.

[9] In the case of the 441 Murray Street Trust, the Havelock House Trust and 111 SGT, the portfolio comprises a single property.

[10] The entire portfolios of the Industrial Fund and the Retail Fund were subject to independent valuation as at 30 June 2016. The single property investments of the 441 Murray Street Trust, the Havelock House Trust and 111 SGT were valued during FY16.

Value based on share market trading

61 As noted above, in the case of 360 CIML we have had primary regard to share market trading in 360 Capital securities. The funds management business of 360 CIML, together with co-investments in the funds / trusts to which 360 CIML provides property management services, comprise the major assets of 360 Capital.

62 The price of 360 Capital's securities over more recent periods (pre and post the speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds)) is summarised below:

360 Capital – security price summary				
Period	High $	Low $	VWAP $	Volume 000
Post speculation[(1)]				
27 October 2016 to 18 November 2016	0.97	0.90	0.93	827
Pre speculation[(1)]				
29 September 2016 to 26 October 2016[(2)]	0.96	0.90	0.91	1,345
1 month to 28 September 2016[(2)]	1.00	0.91	0.94	5,961
2 months to 28 September 2016[(2)]	1.00	0.91	0.92	12,583

Note:
1 On 27 October 2016, speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).
2 360 Capital securities traded ex the quarterly distribution entitlement effective 29 September 2016.
Source: Bloomberg and LEA analysis.

63 For the purpose of our report we have adopted the volume weighted average price (VWAP) of $0.91 per security for the period from 29 September 2016 to 26 October 2016[11] as representative of the portfolio value of 360 Capital securities.

64 Based on securities on issue of 239.6 million this implies a market capitalisation of 360 Capital (based on a portfolio interest) of $218 million, as follows:

360 Capital – implied market capitalisation	
Securities on issue (million)	239.6
VWAP ($)	0.91
Implied market capitalisation ($m)	218.0

65 Based on the reported financial position of 360 Capital as at 30 June 2016, the net tangible assets (NTA) of 360 Capital were $154.7 million calculated as follows:

360 Capital – reported NTA	$m
Net assets 30 June 2016	168.6
Intangible assets[(1)]	(13.9)
NTA 30 June 2016	154.7

11 Effective from the commencement of trading on 27 October 2016 trading in 360 Capital securities was prima facie influenced by speculation of the proposed transactions between 360 Capital and Centuria Capital.

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Note:
1 Management rights at book value.

66 We note that reported NTA includes regulatory capital of $10.0 million (held largely in cash and/or liquid investments) associated with the 360 CIML business.

67 For the purpose of our report we have adjusted the reported NTA in respect of:

(a) the market value of the investments in the Industrial Fund, the Office Fund and the 360 Capital Total Return Fund (Total Return Fund), based on recent share market trading in the respective securities

(b) employee loans receivable of $10.8 million, given that the related employee entitlements to 360 Capital securities vested in October 2016[12].

68 The adjusted NTA of 360 Capital is therefore $159.7 million calculated as follows:

360 Capital – adjusted NTA	$m
NTA 30 June 2016	154.7
Net adjustment to carrying values of listed co-investments	(5.8)
Employee loans receivable	10.8
Adjusted NTA	159.7

69 The adjusted NTA reflects the co-investments held by 360 Capital at their respective market values, together with the invested regulatory capital associated with the 360 CIML business noted above. Accordingly, we consider the difference between the market capitalisation and NTA of 360 Capital to represent the value attributed by share market investors in 360 Capital to (the future cash flows of) the property funds management business of 360 CIML. We have calculated this value at $58.3 million as follows:

360 Capital – value attributed to 360 CIML business	$m
Market capitalisation of 360 Capital	218.0
Adjusted NTA	(159.7)
Implied value attributed to 360 CIML business	58.3

[12] The 360 Capital securities the subject of the employee loans are included in the issued securities of 239.6 million adopted for valuation purposes.

70 Share market trading reflects portfolio interests in the respective securities and therefore entity or business valuations based thereon implicitly exclude a premium for control. Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBIT multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

71 For the purpose of our report we have applied a premium of 20% to the value of the property funds management business of 360 CIML based on share market trading to arrive at a 100% controlling interest value of the business. We have therefore assessed a 100% controlling interest value of the property funds management business of 360 CIML at $70.0 million, as follows:

360 CIML – 100% controlling interest value	
	$m
Implied value of 360 CIML business based on share market trading	58.3
Control premium adopted	20%
Assessed 100% controlling interest value of 360 CIML business	70.0

Valuation cross-check based on capitalisation of earnings

72 As noted above, as a cross-check on our assessed value of the property funds management business of 360 CIML we have adopted the capitalisation of EBIT valuation methodology, given the nature of the business operations. Under this method the value of the business is represented by its core underlying EBIT capitalised at a rate (or multiple) reflecting the risks inherent in those earnings.

Maintainable earnings

73 In order to assess the appropriate level of EBIT for valuation purposes we have had regard to the historical and forecast results of the property funds management business and have discussed the financial performance, operating environment and prospects with 360 CIML management. A summary of the recent financial performance of the 360 CIML property funds management business[13] for the three reporting periods ended FY16 is set out in Appendix D of our report and summarised below:

360 CIML business– underlying financial performance			
	FY14 $000	FY15 $000	FY16 $000
Operating revenue	4,914	7,023	8,442
EBIT	787	2,647	3,913
EBIT margin	16.0%	37.7%	46.4%

13 This summary excludes income generated by 360 CIML which has been analysed as non-recurring in Appendix D.

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74 In respect of the above financial performance we note:

(a) operating revenue (primarily management fee income) grew strongly over the period, due mainly to underlying asset growth in the Industrial Fund

(b) the major growth in assets in the Industrial Fund occurred in October 2015 when the A$331 million acquisition of Australian Industrial REIT (ANI) was completed

(c) reflecting the inherent largely fixed cost nature of funds management businesses generally, the EBIT margin increased significantly over the period associated with the underlying growth in funds under management

(d) operating revenue includes exit fee income (FY16 $300,000), to which 360 CIML has a future entitlement in respect of the 441 Murray Street Trust, the Havelock House Trust and 111 SGT only

(e) operating revenue also includes management and custodian fees in respect of:

(i) the Subiaco Square Trust (FY16 $194,000) which is in the process of being wound up following the sale of the single property asset of the trust

(ii) the Total Return Fund (FY16 $318,000), the ongoing management of which is excluded for the purpose of the Additional Transactions.

75 Based on the above, for valuation purposes, we have assessed maintainable EBIT in respect of the core business operations of 360 CIML at $4.7 million. This has regard in particular to:

(a) assumed annual fee income of approximately $6.5 million in respect of the Industrial Fund and $1.5 million in respect of the Office Fund, based on the respective reported gross assets as at 30 June 2016

(b) the current operating cost base of 360 CIML of around $4.5 million per annum

(c) the reasonableness of the implied operating margin of 50.5%.

Implied EBIT multiple

76 In addition to the core ongoing property management fee income considered above, in recent years 360 CIML has also generated income in respect of:

(a) lease renewals in respect of properties in the unlisted funds to which 360 CIML provides property management services

(b) the establishment of new property related funds (e.g. the Retail Fund and the Total Return Fund)

(c) the ongoing management of the Total Return Fund, which is excluded for the purpose of the Additional Transactions

(d) entitlements to exit fees on the sale of the underlying properties in (certain of) the unlisted funds managed.

77 Based on the reported income generated from these activities in FY15 and FY16, for the purpose of our report, we have attributed a value of $12.0 million to this component of the 360 CIML business.

78 Our analysis therefore indicates a value for the core ongoing property management business of 360 CIML of $58.0 million, calculated as follows:

360 CIML – value of core business	
	$m
Assessed 100% controlling interest value of 360 CIML business	70.0
Value attributable to other income streams	(12.0)
Value of core ongoing property management business	58.0

79 Our assessed value of the property funds management business of 360 CIML therefore implies an EBIT multiple of 12.3 times having regard to the maintainable earnings of the core ongoing property management business, calculated as follows:

360 CIML – implied EBIT multiple	
	$m
Value of core ongoing property management business	58.0
Maintainable EBIT adopted for valuation purposes	4.7
Implied EBIT multiple (times)	12.3

80 As noted above, the implied multiple has been calculated having regard to a 100% controlling interest value of the 360 CIML business. The equivalent implied portfolio interest EBIT multiple is approximately 10.2 times, based on the control premium adopted for valuation purposes of 20%.

81 In considering the reasonableness of the implied EBIT multiple, we note that the Centuria Capital presentation provided to potential investors associated with the underwritten capital raising being undertaken by Centuria Capital to partly fund the proposed transactions indicates that, based on the annual incremental earnings of $9.1 million expected to be generated by Centuria Capital from an acquisition of the property funds management business of 360 CIML, the consideration being paid represents an EBIT multiple of 10.1 times. Given that potential investors will be acquiring a portfolio interest in Centuria Capital, we note that the implied EBIT multiple based on our assessed valuation of the property funds management business of 360 CIML is broadly consistent with the EBIT multiple implied by the associated Centuria Capital underwritten capital raising.

82 Furthermore, we note that our assessed implied portfolio interest EBIT multiple of approximately 10.2 times is:

(a) broadly consistent with the observed implied portfolio interest EBIT multiples of listed entities with property funds management businesses[14]

(b) prima facie, higher than implied multiples based on recent transactions in the property funds management sector (although we note that the number of transactions in the sector that could reasonably be viewed as comparable is limited).

83 Based on the above, we consider the 100% controlling interest value of the property funds management business of 360 CIML of $70 million to be reasonable.

14 The listed entities upon which our analysis was based were Centuria Capital, Folkstone, Eureka Group Holdings and APN Property Group.

Valuation cross-check based on FUM

84 As noted in Appendix D, based on market values as at 30 June 2016, 360 CIML had FUM of around $1.5 billion. However, this included:

(a) the Subiaco Square Trust ($39 million) which is in the process of being wound up following the sale of the single property asset of the trust, and

(b) the Total Return Fund ($41 million), the ongoing management of which is excluded for the purpose of the Additional Transactions.

85 For the purpose of our valuation cross-check we have therefore adopted FUM of $1.4 billion, calculated as follows:

360 CIML property funds management business – FUM	
	$m
Gross assets under management as at 30 June 2016	1,475
Subiaco Square Trust	(39)
Total Return Fund	(41)
Adjusted FUM	1,395

86 Our assessed valuation of the property funds management business of 360 CIML of $70 million therefore implies a value equivalent to 5% of FUM. Based on observed comparable metrics of listed property funds management companies in the range of 3% to 5.9% of FUM (which reflect portfolio rather than controlling interest values)[15], we consider our assessed value to be reasonable.

Summary

87 We note that valuations are inherently subjective by nature and that value is generally considered to fall within a range. For the purpose of our report we have therefore adopted a value for a 100% controlling interest in the property funds management business of 360 CIML in the range of $66 million to $74 million.

88 We have added to this value the minimum regulatory capital of $10.0 million required in order to operate the business. Based on the above we have assessed a 100% controlling interest value in 360 CIML as follows:

360 CIML – 100% controlling interest value		
	Low $m	**High $m**
Value of property funds management business	66	74
Cash and/or liquid investments[(1)]	10	10
Value of 360 CIML securities	**76**	**84**

Note:
1 Invested regulatory capital required to operate the business.

15 The listed property fund managers on which our analysis was based were Centuria Capital, Folkstone, Eureka Group Holdings and APN Property Group.

20

Co-investments

89 In considering the value of the respective property investment related securities we have had regard to a number of factors, including:

(a) 360 Capital is the RE for all the funds / trusts in which it has co-invested

(b) the Industrial Fund is listed on the Australian Securities Exchange (ASX), whilst the remaining investments are unlisted

(c) the level of voting control of 360 Capital in the respective unlisted property funds / trusts ranges from a 66% interest to a 35% interest[16], indicating that 360 Capital has either effective control or (at least) significant influence

(d) reflecting their unlisted nature, there is no ready market for the securities in these funds / trusts, with the unitholders in each of the funds having recently elected to extend the respective lives thereof.

90 Given that 360 Capital is the RE and holds significant voting interests in the unlisted funds / trusts in which it has co-invested, for the purpose of our report we have assessed the value of 360 Capital's investment in these entities primarily by reference to an equivalent pro-rata share of underlying NTA, adjusted as we consider appropriate in respect of the following matters.

91 The carrying values that have been adopted for financial reporting purposes in respect of the various properties are based upon single point estimates from the independent property valuations undertaken. However, value is generally considered to fall within a range and the assessment of value is sensitive to the capitalisation rate and discount rate adopted in assessing the value of the property using the capitalisation of income and/or DCF approach. Accordingly, for the purposes of this report, we have made both positive and negative adjustments of 2% to the single point estimates in order to reflect this potential range of values.

92 In addition, the unlisted funds / trusts incur various operational overheads, including RE and custodian fees and other administrative expenses. These costs are not captured within the respective reported NTA and should therefore be allowed for as they are costs incurred in continuing to operate as a REIT[17]. For the purposes of our report we have capitalised these costs for the respective periods for which the lives of the funds have been extended, applying the respective weighted average capitalisation rates derived from the independent property portfolio valuations. In our low case valuation scenario the respective capitalised values have been deducted from the reported NTA.

93 In considering our high case valuation scenario we have also had regard to a current equity capital raising being undertaken by 111 SGT (the largest of the unlisted funds), which is being undertaken at a price equivalent to the last reported NTA as at 30 June 2016. We note that this capital raising comprises both an entitlement issue to existing unitholders, together with the raising of capital from new investors in the fund[18]. In the circumstances, in our high case valuation scenario, we have made no adjustment in respect of capitalised corporate overhead

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16 360 Capital's economic interest in the funds / trusts is comparable to its voting interest.

17 As noted above, the unitholders in each of the unlisted funds have recently elected to extend the respective lives thereof.

18 Further details of this capital raising and its current status are set out in Appendix H.

costs, notwithstanding that we consider such an adjustment to be appropriate given the value leakage inherent in the RE structure[19].

94 In arriving at an equity value of the unlisted funds for the purpose of our report we have also reduced reported NTA in respect of capitalised borrowing costs (which represent an asset for financial reporting purposes only).

Industrial Fund

95 In determining the value of 360 Capital's interest in the Industrial Fund we have had regard to the recent prices at which the units in that fund have traded. This is principally because the listed market prices of the units in the Industrial Fund are likely to represent a reasonable proxy for the value that 360 Capital could expect to realise if it sold its interest either immediately or in the short-term.

96 In addition:

(a) there are no (legal) restrictions on trading in the Industrial Fund's units which would prevent sufficient trading to produce an unbiased price

(b) in our opinion, share market trading in the fund is sufficiently liquid enough to warrant the use of the recent market prices as a reasonable point of reference

(c) significant information has been disclosed to the market about the Industrial Fund via, for example, financial reports and ASX announcements

(d) a number of brokers actively cover and provide research reports on the Industrial Fund.

97 The price of the Industrial Fund's securities over more recent periods (pre and post the speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds)) is summarised below:

Industrial Fund – security price summary

Period	High $	Low $	VWAP $	Volume 000
Post speculation(1)				
27 October 2016 to 18 November 2016	2.56	2.35	2.45	5,344
Pre speculation(1)				
29 September 2016 to 26 October 2016(2)	2.73	2.42	2.58	5,084
1 month to 28 September 2016(2)	2.88	2.61	2.75	5,760
2 months to 28 September 2016(2)	2.88	2.61	2.75	10,869

Note:
1 On 27 October 2016, speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).
2 The Industrial Fund securities traded ex the quarterly distribution entitlement effective 29 September 2016.
Source: Bloomberg and LEA analysis.

19 We have interpreted the willingness of investors to subscribe for new capital at a price equivalent to NTA (without an adjustment in respect of ongoing corporate overhead costs) as reflective of the investor search for yield in the current low interest rate environment.

98 Whilst we would not ordinarily have regard to security price movements that post date the announcement of a transaction (or speculation of a transaction), we note that:

(a) from 27 October 2016 to 18 November 2016 the S&P / ASX 300 A-REIT Index fell by some 3.5%

(b) the price of the Industrial Fund units fell by a similar percentage over the same period (i.e. 4.0% based upon closing prices).

99 Based upon the above, for the purposes of this report we have adopted a value range of between $2.45 and $2.60 per Industrial Fund security. Our assessed value of the 360 Capital interest in the Industrial Fund is therefore as follows:

360 Capital – value of interest held in Industrial Fund[1]

Component	Assessed value Low $m	Assessed value High $m
Assessed value per unit ($)	2.45	2.60
Number of units held by 360 Capital (m)	33.15	33.15
Assessed value of interest held by 360 Capital	**81.2**	**86.2**

Note:
1 Rounding differences may exist.

100 In respect of the above, we note that:

(a) the Industrial Fund's reported NTA per security is $2.32[20]. Although our valuation per security exceeds the reported NTA, in our opinion, the listed market price of the securities is the more relevant reference point (for the reasons discussed above)

(b) 360 Capital holds an interest of approximately 15.6% in the Industrial Fund[21]. As our value has been determined by reference to share market trading and therefore already implicitly incorporates a discount for the absence of 100% control, we have not applied any further discount.

441 Murray Street Trust

101 As noted in Appendix F, the 441 Murray Street Trust is an unlisted registered managed investment scheme that was established in August 2001 to acquire and hold the property at 441 Murray Street, Western Australia (WA) for an initial period of 10 years. The property is a B grade building located in the Perth Central Business District (CBD) with a net lettable area (NLA) of 5,941 sqm.

102 Whilst the 441 Murray Street Trust was initially due to expire in October 2011, unitholders have approved two separate extensions to the term. The first extension was approved in April 2011 (to extend the term to October 2016) and the second in May 2016 (to extend the term to October 2019).

20 As at 30 June 2016.
21 Based upon 212.0 million units on issue.

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103 The sole tenant, the Minister for Works (WA Police), indicated in September 2015 that it would not renew its lease beyond its expiry on 2 December 2016[22]. In response, 360 CIML (as RE) has pursued various courses of action aimed at re-leasing the property. However, a replacement tenant(s) has not yet been secured.

104 We have assessed the value of the units in the 441 Murray Street Trust, together with 360 Capital's interest therein, having primary regard to NTA backing, as set out below:

360 Capital – value of interest to be sold in 441 Murray Street Trust[(1)]

Component	Paragraph[(2)]	Assessed value Low $000	Assessed value High $000
Reported NTA as at 30 June 2016	F12	10,637	10,637
Property value adjustments	91, F12	(440)	440
Capitalised operational overheads	92, 93, F5, F8	(667)	-
Capitalised borrowing costs	94, F12	(20)	(20)
Equity value – 100% controlling interest basis		9,510	11,057
% interest to be sold by 360 Capital	57	35.65	35.65
Assessed value of interest to be sold by 360 Capital		**3,391**	**3,942**

Note:
1 Rounding differences may exist.
2 Paragraph cross-reference. Reference to Appendices are first denoted by an Appendix letter.

Havelock House Trust

105 As noted in Appendix G, the Havelock House Trust is an unlisted registered managed investment scheme that was established in July 2002 to acquire and hold the properties at 29 Havelock Street and 2 Ord Street, West Perth (collectively Havelock House) for a period of 10 years. Havelock House comprises a 98 bed hospital, a three level office building and a mixture of other office, group therapy and communal rooms spread over a NLA of 4,856 sqm.

106 The Havelock House Trust was initially due to expire in May 2012. However, in April 2013 unitholders approved a proposal to extend the term to May 2017 in order to maximise the value of their investment. In May 2016, unitholders approved a further four year extension of the term to May 2021.

107 We have assessed the value of the units in the Havelock House Trust, together with 360 Capital's interest therein, having primary regard to NTA backing, as set out below:

22 The independent property valuation on which the reported NTA is based had regard to this pending tenancy expiry.

360 Capital – value of interest to be sold in Havelock House Trust[1]			
		Assessed value	
		Low	High
Component	Paragraph[2]	$000	$000
Reported NTA as at 30 June 2016	G11	12,929	12,929
Property value adjustments	91, G11	(504)	504
Capitalised operational overheads	92, 93, G5, G8	(935)	-
Capitalised borrowing costs	94, G11	(29)	(29)
Equity value – 100% controlling interest basis		11,461	13,404
% interest to be sold by 360 Capital	57	38.85	38.85
Assessed value of interest to be sold by 360 Capital		**4,452**	**5,207**

Note:
1 Rounding differences may exist.
2 Paragraph cross-reference. Reference to Appendices are first denoted by an Appendix letter.

111 SGT

108 As noted in Appendix H, 111 SGT is an unlisted registered managed investment scheme that was established in January 2002 to acquire and hold the property at 111 St Georges Terrace, Perth, WA. The property is an A grade office building situated within the Perth CBD. It has a NLA of 18,978 sqm spanning 20 levels, and contains approximately 78 undercover basement car bays.

109 111 SGT was initially due to expire in January 2012. However, in April 2011 unitholders approved a five year extension of the term to May 2017. In December 2014, unitholders approved a further five year extension of the term to January 2022.

110 111 SGT is undertaking a current equity capital raising (to reduce the level of gearing within the fund) at a price equivalent to the last reported NTA as at 30 June 2016. We note that this capital raising comprises both an entitlement issue to existing unitholders, together with the raising of capital from new investors in the fund[23].

111 We have assessed the value of the units in 111 SGT, together with 360 Capital's interest therein, having primary regard to NTA backing, as set out below:

360 Capital – value of interest to be sold in 111 SGT[1]			
		Assessed value	
		Low	High
Component	Paragraph[2]	$000	$000
Reported NTA as at 30 June 2016	H15	68,809	68,809
Property value adjustments	91, H15	(2,802)	2,802
Capitalised operational overheads	92, 93, H7, H12	(4,802)	-
Capitalised borrowing costs	94, H15	(240)	(240)
Equity value – 100% controlling interest basis[3]		60,965	71,371
% interest to be sold by 360 Capital[3]	57	44.43	44.43
Assessed value of interest to be sold by 360 Capital[3]		**27,089**	**31,713**

23 Further details of this capital raising and its current status are set out in Appendix H.

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Note:
1 Rounding differences may exist.
2 Paragraph cross-reference. Reference to Appendices are first denoted by an Appendix letter.
3 Excludes the financial impact of the post 30 June 2016 capital raising which is currently in progress. We note that the capital raising is being undertaken at NTA and therefore should have no material impact on our assessed value range.

Retail Fund

112 As noted in Appendix I, the Retail Fund is an unlisted registered managed investment scheme that launched in March 2015 to purchase a property portfolio comprising the City Centre Plaza and Windsor Marketplace properties located in Rockhampton, Queensland and Windsor, NSW respectively. The Retail Fund has an initial seven year term expiring in June 2022 but can (subject to unitholder approval) be extended for further periods of up to three years each.

113 We have assessed the value of the units in the Retail Fund, together with 360 Capital's interest therein, having primary regard to NTA backing, as set out below:

360 Capital – value of interest to be sold in Retail Fund[1]

		Assessed value	
		Low	High
Component	Paragraph[2]	$000	$000
Reported NTA as at 30 June 2016	I13	35,350	35,350
Property value adjustments	91, I13	(1,428)	1,428
Capitalised operational overheads	92, 93, I6, I10	(1,432)	-
Capitalised borrowing costs	94, I13	(152)	(152)
Equity value – 100% controlling interest basis		32,338	36,626
% interest to be sold by 360 Capital	57	49.99	49.99
Assessed value of interest to be sold by 360 Capital		**16,168**	**18,312**

Note:
1 Rounding differences may exist.
2 Paragraph cross-reference. Reference to Appendices are first denoted by an Appendix letter.

Valuation summary

114 We set out below a summary of our assessed values of the securities the subject of the Additional Transactions.

Valuation summary

		Assessed values	
		Low	High
	Paragraph	$m	$m
360 CIML	88	76.0	84.0
Industrial Fund	98	81.2	86.2
441 Murray Street Trust	104	3.4	3.9
Havelock House Trust	107	4.5	5.2
111 SGT	111	27.1	31.7
Retail Fund	113	16.2	18.3
Total		**208.4**	**229.3**

V Evaluation of the Additional Transactions

Approach

115 Consistent with our understanding of the principles outlined in TPGN21 requiring an overall view of the transactions, we have undertaken both a quantitative and a qualitative analysis of the Additional Transactions. In particular, our report has considered:

(a) the market value of the securities that are the subject of the Additional Transactions

(b) the value of the consideration offered for those securities

(c) the extent to which (a) and (b) differ (in order to assess whether, prima facie, a net benefit is being provided)

(d) a comparison of the 5.0% interest rate on the $50 million Vendor Loan with market interest rates for similar loans (in order to assess whether the rate is above or below market)

(e) other qualitative and strategic issues associated with the Additional Transactions including:

(i) the process undertaken in negotiating the Proposal and the Additional Transactions

(ii) the substance and commercial reality of the combined transactions, including the overall effect thereof.

116 Our assessment of these factors is set out below.

Summary of market values

117 We have considered the market value of the securities that are the subject of the Additional Transactions in Section IV of our report. We set out below a summary of our assessed values:

Valuation summary[1]	Assessed values	
	Low	High
	$m	$m
360 CIML	76.0	84.0
Industrial Fund	81.2	86.2
441 Murray Street Trust	3.4	3.9
Havelock House Trust	4.5	5.2
111 SGT	27.1	31.7
Retail Fund	16.2	18.3
Total	**208.4**	**229.3**

Note:
1 Consistent with the summary presented in paragraph 114.

Value of the consideration

118 The consideration to be received by 360 Capital for the securities the subject of the Additional Transactions is summarised below:

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Prima facie consideration payable	Paragraph	$m
360 CIML	17	101.5
Industrial Fund	23	82.8
441 Murray Street Trust	24	3.8
Havelock House Trust	24	5.0
111 SGT	24	30.6
Retail Fund	24	19.6
Total		**256.3**

119 As noted in Section IV of our report:

(a) the consideration for 360 CIML reflects a price of $91.5 million for (the future cash flows of) the property funds management business, together with the effective reimbursement (subject to adjustment on settlement) of the regulatory capital of $10.0 million which has been invested (in cash) in the business[24]. In addition, 360 Capital is to be liable for the cost of redundancies and other costs in respect of employees and other liabilities not assumed by Centuria Capital. Centuria Capital is also entitled to a 'clawback' of up to $3.5 million in the event that the Office Fund receives a takeover offer from a third party within12 months from the date of settlement of the 360 CIML Proposal (the 'clawback' can only be used by Centuria Capital for the purposes of contributing to 50% of the total costs of defending the third party takeover offer)

(b) the consideration for the securities in the Industrial Fund reflects an agreed underlying price of $2.50 per security

(c) the consideration for the securities in the four unlisted funds is subject to put and call option arrangements and associated guarantees regarding future income distributions.

120 In addition 360 Capital is to provide Centuria Capital with a vendor loan of $50 million at an interest rate of 5.0% per annum, to assist Centuria Capital in financing the transactions.

121 We have assessed the extent to which these matters impact on the aggregate consideration to be received by 360 Capital.

360 CIML

122 Pursuant to the agreed transaction, Centuria Capital is under no obligation to assume responsibility for 360 CIML employee or other costs. We have been advised by 360 Capital management, that based on discussions in this regard held with Centuria Capital, it is expected that Centuria Capital will only assume liability for some $1.5 million of annual costs currently incurred by 360 CIML[25].

24 We understand the existing property funds management business of Centuria Capital meets this regulatory requirement, such that Centuria Capital will not need to make a corresponding re-investment in the 360 CIML business after acquisition.

25 As noted in Section IV, the annual costs incurred by 360 CIML in relation to the property funds management business are around $4.5 million.

123 360 Capital is to be liable for the cost of redundancies and other costs in respect of employees and other liabilities not assumed by Centuria Capital. We have been advised by 360 Capital management that the aggregate costs for which it expects to be liable approximate $0.5 million.

124 Centuria Capital is also entitled to 'clawback' up to $3.5 million of the consideration paid for 360 CIML for the purposes of defending any third party takeover offer for the Office Fund within the next 12 months. The 'clawback' can only be used by Centuria Capital for the purposes of contributing to 50% of the total costs of defending the third party takeover offer (i.e. takeover defence costs must be $7.0 million or more before the full $3.5 million is contributed). We note that the maximum 'clawback' of $3.5 million represents approximately two years of annual fee income from the Office Fund based upon reported gross assets as at 30 June 2016.

125 Having regard to the matters noted above, for the purpose of our report we have adopted net consideration receivable in respect of 360 CIML of $101.0 million.

Unlisted funds

126 The consideration for the securities in the four unlisted funds is subject to put and call option arrangements and associated guarantees regarding future income distributions. We have examined whether (and, if so, to what extent) the put and call options and associated investment return guarantees provide additional or reduced consideration to 360 Capital compared to an outright sale transaction.

127 In effect, the put and call options constitute sales of the relevant units (at strike prices equal to defined values per unit plus any accrued or unpaid distributions), since:

(a) 360 Capital can put (sell) the units at the maturity of its option in two years (and would be expected to do so if the value of the units at maturity is below the strike price in each case)

(b) Centuria Capital can call (buy) the units at any time up to the maturity of its option (and would be expected to do so no later than maturity, if the value is above the strike price in each case).

128 We note that the 360 Capital guarantee of an investment return of 8.0% per annum in respect of the 441 Murray Street Trust (in the event that the call option is exercised early) is both likely to exceed actual distributions (predicted at nil for FY17) and likely to result in the respective option being called on by Centuria Capital (since the guaranteed return makes early exercise attractive). However we note that the associated liability to 360 Capital is not material in the overall context of the put and call option arrangements.

129 For the purpose of our report it is therefore our opinion that the put and call option arrangements and associated investment return guarantees do not provide any material additional or reduced consideration to 360 Capital compared to an outright sale transaction.

Vendor Loan

130 The details of the Vendor Loan, including the attaching terms and conditions, are set out in Section I. In summary:

(a) the loan is for $50 million for a term of 18 months

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(b) the loan is to be provided on an interest only basis, at an interest rate of 5.0% per annum

(c) the loan can be repaid (without penalty) by providing 10 business days notice. A fee of $0.5 million will be payable if Centuria Capital has not refinanced the loan in 12 months

(d) the loan is to be secured against Centuria Capital's interest in the Industrial Fund units it acquires as part of the Co-investment Transactions. Centuria Capital will not allow any other security over these units and will undertake not to sell any Industrial Fund units until such time as the loan is repaid in full.

(e) Centuria Capital will be required to maintain a LVR of less than 65% in respect of the loan. If the LVR is breached, Centuria Capital must provide further Industrial Fund units as security. If the LVR is not "cured" within two business days, the interest rate will increase to 20% per annum until such time the breach is rectified. If the LVR is greater than 70% and is not "cured" in five business days, 360 Capital has the right to demand repayment of the loan

(f) if the Conditional Placement component of the capital raising being undertaken by Centuria Capital (in connection with the Additional Transactions and the Proposal) is not approved by Centuria Capital securityholders, then the terms of the $50 million loan will be 12 months with interest at 5.0% per annum for the first six months and 7.5% per annum for the second six months.

131 We have initially considered the value of the security provided in respect of the loan and the indicative initial LVR, calculated as follows:

Vendor Loan – indicative initial LVR against value of security provided

	Units (million)	Low $m	High $m
Industrial Fund[1]	33.15	81.2	86.2
Loan provided		50.0	50.0
Indicative initial LVR		**61.6%**	**58.0%**

Note:
1 Based on a unit price range of $2.45 to $2.60 (refer to paragraph 98).

132 Our assessed value of the security provided therefore indicates an initial LVR in the range of 58.0% to 61.6%, which is below the maximum allowed ratio of 65%.

133 In considering the interest rate to be charged of 5.0% per annum, we have had regard to the cost of debt in the Industrial Fund, the securities of which provide the security under the loan. Based on disclosures in connection with the FY16 annual report, the Industrial Fund had an all in interest cost of approximately 3.8% per annum in connection with a syndicated debt facility of $420 million.

134 We have also had regard to:

(a) the weighted average cost of debt of the Office Fund which (per the FY16 annual report disclosure) was 4.8% per annum, in respect of a facility of $80 million that expires in April 2017

(b) the cost of debt in CMA, which was 3.9% per annum in respect of a facility of $150 million based on a corresponding FY16 annual report disclosure.

135 We note that the facilities provided to the Industrial Fund, the Office Fund and CMA effectively have direct access to the respective property portfolios of these funds. In contrast, the security provided in respect of the Vendor Loan only has an effective indirect access to these assets, and by implication an effective second ranking (at best) security position.

136 Accordingly, it would be expected that the interest rate applicable to the Vendor Loan would be greater than the cost of debt provided directly to the Industrial Fund (we note that the increased cost is 1.2% per annum).

137 Given that the Vendor Loan is being provided against listed securities, we have also considered the cost and related extent to which a margin loan could be secured against the units in the Industrial Fund. Based on information contained on the Commsec website[26] we note:

(a) the LVR for a loan in respect of the Industrial Fund is currently 55%

(b) the cost of a one year margin loan is quoted at 6.63% per annum, with the cost of a two year margin loan being 5.79% per annum (interest being paid monthly in arrears).

138 Based on our analysis above, it would appear that the terms and conditions of the Vendor Loan are unfavourable to 360 Capital as compared to relevant arm's length loans currently provided. Whilst we have not sought to quantify this disadvantage, we note that the effect would be to reduce (albeit not to a material extent) the overall net benefit to 360 Capital inherent in the Additional Transactions, which is discussed below.

Summary of consideration to be received

139 Based on the above, for the purpose of our report, we have adopted aggregate consideration of $242.8 million as follows:

Assessed value of consideration payable	$m
360 CIML	101.0
Industrial Fund	82.8
441 Murray Street Trust	3.8
Havelock House Trust	5.0
111 SGT	30.6
Retail Fund	19.6
Total	**242.8**

Comparison of adopted values

140 We set out below a comparison of our assessed market values of the securities the subject of the Additional Transactions and the respective consideration to be received by 360 Capital:

26 We would expect the majority of margin loans provided by Commsec to be of a retail rather than wholesale nature.

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Comparison of assessed value of consideration payable against assessed values	Assessed Consideration $m	Assessed values Low $m	High $m
360 CIML	101.0	76.0	84.0
Industrial Fund	82.8	81.2	86.2
441 Murray Street Trust	3.8	3.4	3.9
Havelock House Trust	5.0	4.5	5.2
111 SGT	30.6	27.1	31.7
Retail Fund	19.6	16.2	18.3
Total	**242.8**	**208.4**	**229.3**

Opinion

141 As noted, the aggregate consideration payable in respect of the securities the subject of the Additional Transactions exceeds the aggregate of our independently assessed fair market values of the securities being acquired. Prima facie, therefore, a net benefit to 360 Capital arises pursuant to the Additional Transactions.

Consideration of net benefit

142 This net benefit is primarily attributable to our assessed value of 100% of the equity in 360 CIML, being below the component consideration being paid for these assets.

143 360 CIML operates a funds management business and acts primarily as the RE and/or custodian for a number of managed investment schemes in which 360 Capital co-invests. Reflecting the inherent largely fixed cost nature of funds management businesses generally, the value of such businesses is primarily dependent on the quantum of FUM (and the security of tenure of the manager).

144 In the Australasian property sector there is a number of entities providing funds management services to both listed and unlisted REITs. The potential therefore exists for mergers / acquisitions / business combinations between such entities to generate potentially significant (cost saving) synergy benefits based on the inherent operational leverage.

145 As noted in Appendix D, the standalone cost base of 360 CIML is approximately $4.5 million per annum. Pursuant to the agreed transaction, Centuria Capital is under no obligation to assume responsibility for 360 CIML employee or other costs. We have been advised by 360 Capital management that, based on discussions in this regard held with Centuria Capital, it is expected that Centuria Capital will only assume liability for some $1.5 million of annual costs currently incurred by 360 CIML[27]. The potential cost synergy benefits (and associated incremental value) arising from this component of the Additional Transactions are therefore very significant.

146 Furthermore, we understand that Centuria Capital expects to generate additional annual revenue of around $1.5 million from the provision of direct property management services in respect of a number of the properties held by the funds in which interests are being acquired. The corresponding property services are currently contracted out by 360 CIML to third-party providers.

27 We understand there is sufficient existing capacity within the Centuria Capital property funds management business to largely absorb the corresponding property management obligations of 360 CIML.

147 Based on the combined cost and revenue synergy benefits above, Centuria Capital has indicated that it expects incremental earnings from an acquisition of the property funds management business of 360 CIML of around $9.1 million per annum, calculated as follows:

360 CIML – Centuria Capital calculated incremental earnings	
	$m
Management fee income(1)	9.1
Property funds management fees	1.5
Management and administration expenses	(1.5)
Incremental earnings (i.e. incremental EBIT)	**9.1**

Note:
1 We note this is approximately equivalent to the current level of annual base management fee income (revenue) derived by 360 CIML from the same property portfolios.

148 Based on our observations, it is a feature of transactions that reflect the effective merger of existing property funds management businesses (particularly where there is a significant number of industry participants and hence potential transaction partners) that a reasonable percentage of the value of the synergy benefits arising is shared by the purchaser with the vendor[28]. Based on our analysis, we consider this to be the situation with respect to the acquisition of 360 CIML by Centuria Capital.

149 As noted above, we have assessed the value of (the future cash flows of) the property funds management business of 360 CIML in the range of $66 million to $74 million, as compared to the net consideration payable (after allowance for redundancy and other costs) of $91 million. The indicated value of the synergy benefits being paid away by Centuria Capital to 360 Capital is therefore in the range of $17 million to $25 million. Based on advised annual incremental earnings to Centuria Capital (from an acquisition of 360 CIML) of around $9.1 million, the value of the synergy benefits paid away equates (at the high end) to less than three years of incremental earnings, which we consider to be reasonable and reflective of observed transaction outcomes in the sector.

Qualitative considerations

150 In addition to the quantitative analysis above, we have also considered other qualitative and strategic issues associated with the Additional Transactions including the process undertaken in negotiating the Proposal and the Additional Transactions as well as the substance and commercial reality of the combined transactions, including the overall effect thereof.

151 With respect to the process undertaken in negotiating the Proposal and the Additional Transactions, we have been advised:

(a) the parties commenced preliminary discussions in February 2016

(b) a number of alternative transaction structures were tabled and discussed

(c) the parties sought respective external advisers at various stages to assist in the discussions

(d) the Proposal and the Additional Transactions reflect the combined negotiated outcome of the process undertaken.

28 This outcome is also consistent with observed outcomes from agreed negotiated transactions generally.

Conclusion

152 Having regard to the basis of our evaluation, the limitations set out in this report and the results of our analysis:

(a) nothing has come to our attention to indicate that the Additional Transactions were not negotiated at arm's length

(b) whilst the aggregate consideration payable in respect of the securities the subject of the Additional Transactions exceeds the aggregate of our independently assessed fair market values of the securities being acquired, nothing has come to our attention to cause us to believe that the consideration payable under the Additional Transactions constitutes the receipt by 360 Capital of a collateral benefit which is inconsistent with a benefit that would generally be expected to arise in association with a merger of two (or more) industry participants in the property funds management sector.

153 Moreover, nothing has come to our attention in respect of the Additional Transactions that would cause us to change the conclusions we have reached in relation to our IER on the Proposal (which is also included with the Notice of Meeting).

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of this IER to accompany the Notice of Meeting to be sent to Office Fund unitholders in connection with the Proposal.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. LEA is entitled to receive a fee estimated at $275,000 plus GST for the preparation of its IER on the Proposal and our report on Collateral Benefits.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

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Appendix A

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Nathan Toscan and Ms Julie Planinic, who are each authorised representatives of LEA. Mr Toscan and Ms Planinic have over 12 years and 19 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of 360 CIML (the RE to the Office Fund) to accompany the Notice of Meeting to be sent to Office Fund unitholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether a collateral benefit has been received by 360 Capital arising from the Additional Transactions.

Interests

4 At the date of this report, neither LEA, Mr Toscan nor Ms Planinic have any interest in the outcome of the Proposal or the Additional Transactions. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 LEA has previously prepared a number of IERs for 360 Capital (e.g. the August 2013 IER on 360 Capital's merger with the Trafalgar Corporate Group). These independent reports were prepared during the period April 2011 and August 2013. We have considered the matters described in ASIC Regulatory Guide 112 – *Independence of experts* (Part C), and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

6 LEA has had no prior business or professional relationship with CMA (or other entities associated with Centuria Capital) prior to the preparation of this report.

Indemnification

7 As a condition of LEA's agreement to prepare this report, the Office Fund agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of the Office Fund which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

8 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix C

Transaction evidence – property and funds management rights

1 Set out below are a selection of relevant significant transactions (for which financial information is available) from early 2010 involving property and funds management rights primarily relating to Australian assets (with a brief transaction description following):

Transaction multiples – property management rights

Date[(1)]	Target	Acquirer	EV[(2)] A$m	FUM A$m	EV / FUM %	EV / EBIT x
Jun 16	Generation Healthcare REIT	NorthWest Healthcare	58.5	439	13.3	na
Apr 16	GPT Metro Office Management Platform	Growthpoint Australia	9.0	439	2.0	6.7(F)
Feb 16	Investa Commercial Management Platform	Investa Commercial Property Fund	90.0	3,490	2.6	na
Feb 15	Novion Management Platform	Novion & Federation merger	725.0[(3)]	14,889[(3)]	4.9[(3)]	14.6(F)[(3)]
Feb 15	Federation Management Platform	Novion & Federation merger	400.0[(3)]	7,328[(3)]	5.5[(3)]	13.3(F)[(3)]
Jan 15	Valad Europe Management Platform[(4)]	Cromwell Property Group	175.4	7,600	2.3	6.4(F)
Nov 14	Citrus Investment Services	Internalisation by Arena	11.5[(5)]	416[(5)]	2.8[(5)]	10.5(F)[(5)]
Dec 13	CFS Retail Property Trust	Internalisation by CFS Retail Property Trust	460.0	13,900	3.3	9.5(F)
Dec 13	Commonwealth Property Office Fund	DEXUS Property Group	41.0	3,700	1.1	na
Dec 13	Westfield Group's ANZ Operating Platform[(6)]	Westfield Group Restructure	2,922.8	38,600	7.6	13.5(F)
Oct 13	GDI Property Group	Internalisation by GDI	18.5	742	2.5	na
Aug 13	360 Capital Funds Management	Trafalgar Corporate	5.5	850	0.6	5.5(H)
Jul 13	Kiwi Income Property Trust[(4)]	Internalisation by Kiwi Income Property Trust	62.4[(7)]	1,809[(7)]	3.5	6.6(H)
Jul 12	Austock Property	Folkestone Group	11.5	555	2.1	5.2(H)[(8)]
Jun 12	PFA Div Property Trust	Charter Hall Group	5.0	445	1.1	na
Dec 11	Orchard Funds Management	Morgan Stanley Real Estate	13.0	1,200	1.1	na
Aug 11	Centro Services Business	Centro Retail Group	251.0	6,975	3.6	6.2(H)/3.6(F)
Jul 11	ING Healthcare Fund	APN Property Group	3.3	190	1.7	6.9(H)
Mar 11	Trinity Wholesale Funds Management[(9)]	Jones Lang LaSalle	9.3	650	1.4	3.5(H)/3.7(F)

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Note:
1 Date of announcement.
2 Implied value of an acquisition of 100% if transaction does not already involve an acquisition of 100%.
3 Property management platform values and other information are sourced from the IER for this transaction.
4 We note that the acquisitions of the Valad Europe Management Platform and the internalisation of the Kiwi Income Property Trust relate to portfolios of predominately foreign based assets.
5 Transaction includes syndicate consideration for PHC Syndicate and PSH JV. On the basis that the transaction excludes the syndicate and joint venture (JV), the consideration would be $9.5 million, FUM would be $378.8 million, EV / FUM would be 2.5% and EBIT multiple would be 11.9x.
6 Westfield Group's ANZ Operating Platform includes retail property management, funds management and property development platforms.
7 Translated at an exchange rate of A$:NZ$ = 1.1611, being the exchange rate on the date of announcement.
8 Estimate based upon information disclosed by Austock in its 1H13 results.
9 Primarily based upon information disclosed in the 10 September 2012 IER on Trinity Limited's (Trinity) off-market buy back.

Source: Company announcements, press commentary, analyst reports and LEA analysis.
na – not available, H – Historic multiple, F – Forecast multiple.

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NorthWest Healthcare Properties acquisition of Generation Healthcare REIT

2 On 27 June 2016, APN Property Group announced that it (and associated entities) had sold its interest in their healthcare real estate investment platform to NorthWest Healthcare Properties REIT for $58.5 million. The business undertook management services for Generation Healthcare REIT, an ASX listed healthcare real estate investment entity with assets under management of some $439 million and ownership of 17 properties located across Victoria, New South Wales and Queensland. The property portfolio included hospitals, medical centres, laboratories, residential aged care facilities and other purpose-built healthcare facilities.

Growthpoint Properties Australia's acquisition of GPT Metro Office Management Platform

3 On 5 April 2016, Growthpoint Properties Australia announced the proposed acquisition of GPT Metro Office Fund, which included the acquisition of the GPT Metro Office property management platform for some $9 million. At the time of the acquisition, GPT Metro Office Fund had some $439 million assets under management, with six properties located across New South Wales, Victoria and Queensland.

Investa Commercial Property Fund acquisition of Investa Office Management Platform

4 On 22 February 2016, an entity stapled to the Investa Commercial Property Fund entered into a binding agreement to purchase Investa Office Management Holdings, the owner of Investa Office Management Platforms from Morgan Stanley Real Estate Investing. At the time of the acquisition the Investa Office Fund had approximately $3.5 billion assets under management, with 22 property investments located in core CBD markets throughout Australia.

Novion Property Group merger with Federation Centres

5 On 3 February 2015, Novion Property Group announced the proposed merger with Federation Centres. At the time of the announcement, the Novion Property Group management platform and Federation Centres management platform provided asset management services to both their respective property portfolios as well as external property funds. The assets under management at the transaction date were approximately $14.9 billion (Novion) and $7.3 billion (Federation).

Cromwell Property Group acquisition of Valad Europe's property management platform

6 On 27 January 2016, Cromwell Property Group announced the acquisition of Valad Europe property management platform, a European based property funds manager with assets under management of approximately €5.3 billion ($7.6 billion). Valad Europe's property management platform managed assets across 13 countries and provided a fully internalised approach to property and funds management.

Arena REIT's internalisation of management rights

7 On 4 November 2014, Arena Investment Management, the responsible entity for both Arena REIT No. 1 and Arena REIT No. 2 (together Arena REIT) announced that it had entered into an implementation agreement with Citrus II Investments Pty Ltd for Arena REIT to internalise its corporate governance and management function and to assume management rights over two wholesale funds (PHC Darlinghurst Syndicate and Trust and BSH Joint Venture). The transaction included some $416 million assets under management.

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CFS Retail Property Trust Group management rights internalisation

8 On 18 December 2013, the responsible entity of CFS Retail Property Trust Group announced an agreement with the Commonwealth Bank of Australia to internalise the management rights of CFS Retail Property Trust Group. At the time of the announcement the trust owned 35 retail property assets and held assets under management of some $13.9 billion.

DEXUS Property Group acquisition of Commonwealth Property Office Fund

9 On 13 December 2013, DEXUS Property Group announced that it had entered into an exclusive binding Facilitation Agreement to transition the management of Commonwealth Property Office Fund to DEXUS Property Group for $41 million, contingent on the successful acquisition of Commonwealth Property Office Fund. At the time of the announcement, Commonwealth Property Office Fund had some $3.7 billion office property assets under management.

Restructure of Westfield and Westfield Group's ANZ Operating Platform

10 On 4 December 2013 Westfield Group and Westfield Retail Trust (WRT) announced a proposal to merge Westfield Group's Australian / New Zealand business (ANZ) with WRT to form a new entity to be known as Scentre Group, with the international business of Westfield Group to become Westfield Corporation. Implicit in this transaction was the acquisition of Westfield Group's ANZ operating platform, which included both property management and property development. At the time of the transaction, Westfield Group's ANZ operating platform had a portfolio 47 properties with assets under management of some $38.6 billion.

GDI Property Group management rights internalisation

11 On 25 November 2013, GDI Property Group announced that at the completion of the proposed ASX public listing, GDI Property Group would become a listed stapled entity whereby GDI Property would be internally managed. At the date of announcement the fund held some $742 million assets under management, which included four properties located in core CBD locations in Perth, Sydney, Adelaide and Brisbane.

Trafalgar Corporate acquisition of 360 Capital funds management business

12 On 19 August 2013, 360 Capital Property Group announced that it would backdoor list on the ASX following entering into a conditional sale agreement with Trafalgar Corporate Group. At the time of the transaction the 360 Capital Property Fund had some 15 employees with some $860 million funds under management across 10 funds, holding 28 properties.

Kiwi Income Property Trust management rights internalisation

13 On 24 July 2013, Kiwi Income Property Trust received a non-binding proposal from Commonwealth Bank of Australia to internalise the management rights of Kiwi Income Property Trust for NZ$72.5 million. At time of acquisition the trust held funds under management of some NZ$2.1 billion, which primarily included retail and office assets across New Zealand.

Folkestone's acquisition of Austock Property

14 On 9 July 2012, Folkestone announced that it would purchase all of Austock's shares in Austock Property. At the time of the acquisition, Austock Property was an investment management company with approximately $555 million of assets under management across

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four listed and unlisted funds specialising in childcare, medical centres and police stations / courthouses.

Charter Hall's appointment as Responsible Entity to the PFA Diversified Property Trust

15 On 28 June 2012, Charter Hall announced that it had entered into a contract with various entities of the Australian Property Growth Fund to purchase the right to manage PFA Diversified Property Trust. As consideration, Charter Hall paid a facilitation fee of $5.0 million. The change in the responsible entity was approved by PFA Diversified Property Trust unitholders on 15 August 2012. At the time of acquisition, PFA Diversified Property Trust held $444.5 million of predominately office assets located across Australia.

Morgan Stanley Real Estate Fund VII's acquisition of Orchard Funds Management

16 Morgan Stanley Real Estate Fund VII purchased Orchard Funds Management for $13 million in December 2011. At the date of the transaction the company managed seven unlisted property funds with approximately $1.2 billion of assets under management (mostly Australian commercial property).

Centro Retail Group's acquisition of Centro Properties Group's Service Business

17 On 9 August 2011, Centro Group announced a restructure which included Centro Retail Group, Centro Properties Group, Centro Direct Property Fund, Centro Australia Wholesale Fund and several other closed end property syndicates. Part of the restructure involved the internalisation of the management rights, which were owned by Centro Properties Group within its Services Business. At the date of the acquisition, the Services Business managed 31 funds and had $7.0 billion of assets under management.

APN Property Group's acquisition of ING Healthcare Pty Ltd

18 On 7 July 2011, APN Property Group announced that it had entered into an agreement to purchase 67.5% of ING Healthcare Pty Ltd, the manager of the ING Real Estate Healthcare Fund, which owned private hospitals and clinics and had FUM of $190 million. The transaction, which was subject to the approval of ING Real Estate Healthcare Fund unitholders, would also result in a change of responsible entity from ING Management to APN Property Group.

Jones Lang LaSalle's acquisition of Trinity Limited's (Trinity) wholesale funds management business

19 On 7 July 2011, Trinity announced that Jones Lang LaSalle had contracted to purchase 100% of Trinity's wholesale funds management business for $9.25 million plus NTA (the business was owned 50% by Trinity and 50% by Clarence Property Corporation). At the time of acquisition, the wholesale funds management business had approximately $650 million of assets under management (mostly commercial Australian property).

Appendix D

Profile of 360 CIML

Overview

1 360 CIML is a wholly owned subsidiary of 360 Capital that acts as the RE and/or custodian for a number of managed investment schemes in which 360 Capital co-invests (i.e. investment schemes in which 360 Capital holds / held an investment interest). The RE is the trustee and manager of an investment scheme, and is responsible for the investment management of the assets, while the custodian acts as the legal owner of the assets (on behalf of the investment scheme). Often the role of RE and custodian is performed by the same entity.

Funds management

2 360 CIML receives fees for providing RE and custodian services. An overview of the types of fees received by 360 CIML in respect of providing such services are set out below:

(a) **management fees** – payable to the RE in respect of the management of the trust property with a principle objective of maximising unitholder returns in the most efficient manner possible. Fees are calculated based upon a percentage of gross rental income[29]

(b) **custodian fees** – payable to the custodian in respect of acting as the legal owner of the assets[30]. Fees are calculated as a percentage of the gross assets of the fund

(c) **leasing fees** – payable to the RE upon the granting of a new lease or an extension of an existing lease of premises. Fees are calculated as a percentage of the gross proceeds from the granted or renewed lease in the first year of the new or extended term

(d) **exit fees** – payable to the RE upon the sale of a property asset or wind-up of the fund. Fees are calculated based upon the sale price of the property and the capital gain upon the sale (if any)[31].

3 Set out below is a summary of the managed investment schemes for which 360 CIML acts as RE and/or custodian, together with the respective management fees and custodian fees charged:

[29] In respect of the Industrial Fund, Office Fund, Total Return Fund and the Retail Fund No.1 management fees are calculated as a percentage of the gross assets of the fund.

[30] Note that whilst custodians are the legal owners of the assets, they are required to act on behalf of either the RE or trustee that remains responsible for the investment management of the assets.

[31] Exit fees are applicable only to 111 SGT, 441 Murray Street Trust, Havelock House Trust and the Subiaco Square Trust (which is currently in managed wind-up).

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CIML – funds management fees as at 30 June 2016	Gross assets[1] $m	360 CIML RE	360 CIML custodian	Management fees[2] %	Custodian fees[3] %
Industrial Fund	923	✓	✓	0.65[4][5]	0.05
Office Fund	211	✓	✓	0.65[4][5]	0.05
111 SGT	142	✓	✓	6.00	0.05
441 Murray Street Trust	22	✓	✓	5.00	0.05
Havelock House Trust	25	✓	✓	6.00	0.05
Subiaco Square Trust[6]	39	✓	✓	5.00	0.05
Total Return Fund[7]	41	✓	✓	0.65[4]	na
Retail Fund No.1 (Retail Fund)	72	✓	✓	0.60[4]	0.05
360 AREIT[8]	-	×	×	na	na
Total	**1,475**				

Note:
1 As at 30 June 2016, based upon audited accounts.
2 Management fees calculated as a percentage of gross rental income, unless stated otherwise.
3 Custodian fees calculated as a percentage of gross assets.
4 Calculated based upon the gross assets of the fund.
5 The RE elected to charge 0.60% management fees for the year ended 30 June 2016.
6 The Subiaco Square Trust is currently in a managed wind-up.
7 The Total Return Fund also pays the RE, acquisition and disposal fees of 1.0% based on total asset purchase or sale price.
8 360 Capital AREIT Fund (360 AREIT). 360 AREIT was wound up on 12 April 2016.
Source: 360 Capital.
na – not applicable.

4 Over 90% of 360 CIML's funds management revenue is sourced from management fees. The Industrial Fund, Office Fund and 111 SGT are the primary contributors, together accounting for over 80% of total funds management revenue[32]. A breakdown of the source of 360 CIML's funds management revenue for the full year to 30 June 2016 is set out below:

32 Excludes revenue from exit fees and leasing fees.

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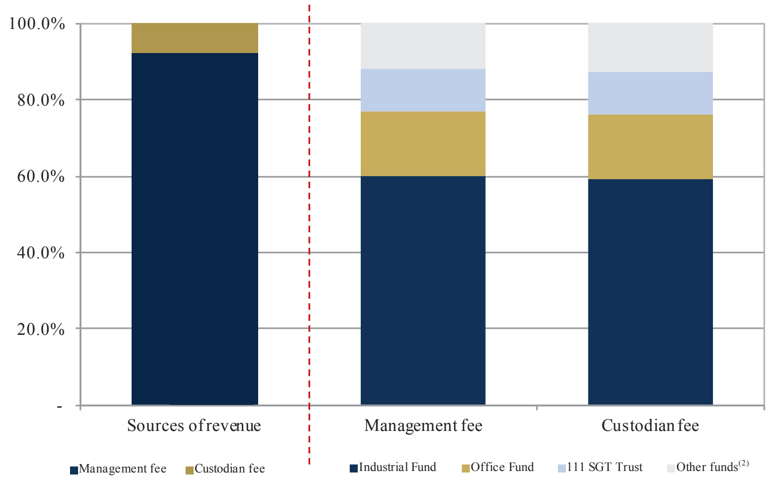
CIML – funds management revenue contribution[1]
12 months to 30 June 2016



Note:
1 Excludes leasing fees, exit fee revenue.
2 Other funds include 441 Murray Street Trust, Havelock House Trust, Subiaco Square Trust, Total Return Fund, Retail Fund and 360 AREIT (which was wound up on 12 April 2016).
Source: 360 Capital and LEA analysis.

Statement of financial performance

5 The financial performance of 360 CIML for FY14, FY15 and FY16 is set out below:

360 CIML – statement of financial performance[1]

	FY14 Audited \$000	FY15 Audited \$000	FY16 Audited \$000
Management fee income[2]	4,348	6,525	8,142
Exit fee income	566	498	300
Underlying operating revenue	**4,914**	**7,023**	**8,442**
Management and administration expenses	(4,126)	(4,377)	(4,528)
Underlying EBIT	**787**	**2,647**	**3,913**
Finance income	192	223	216
Material non-recurring items	156	3,789	1,731
Reported profit before tax	**1,135**	**6,659**	**5,860**
Tax expense	(328)	(1,802)	(1,653)
Reported net profit after tax	**807**	**4,857**	**4,207**

Note:
1 Rounding differences may exist.
2 Management fee income includes custodian fees.
3 Material non-recurring items discussed in detail below.
Source: 360 Capital.

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6 In relation to financial performance, we note the following:

(a) management fee income in FY16 increased by some 25% compared to the prior year. This was due to an increase in management fee income from the Industrial Fund (increase of some 48%), which completed the ($331 million) acquisition of ANI. The recorded acquisition date of ANI was 12 October 2015 (being the date the Industrial Fund gained control)

(b) management fee income in FY15 increased by some 50% compared to FY14, primarily due to a significant uplift in management fee income received from both the Industrial Fund and the Office Fund. The uplift in the Industrial Fund was due to the addition of five new properties acquired throughout FY15 for a combined value of $153.3 million. The uplift in the Office Fund was due to the Office Fund changing its RE to 360 CIML from 360 Capital RE Limited on 6 June 2014

(c) exit fee income is recognised on an accrual basis and relates only to 441 Murray Street Trust, the Havelock House Trust, 111 SGT and the Subiaco Square Trust (discussed in further detail below)

(d) on 1 September 2016, 360 Capital announced that Subiaco Square Trust had entered into an unconditional contract to sell Subiaco Square Shopping Centre for $38.4 million to a private investor. However, we note that the Subiaco Square Trust only contributed some 2% to total management fee income in FY16

(e) a breakdown of the material non-recurring / ad hoc items is set out below:

360 CIML – material non-recurring items[1]

	FY14 Audited $000	FY15 Audited $000	FY16 Audited $000
Lease income	100[2]	-	412
Distribution income – Office Fund	106	425	425
Net gain / (loss) on assets held – Office Fund	(50)	325	350
Acquisition fee income – Retail Fund No.1	-	1,186	-
Underwriting fee income – Retail Fund No.1	-	1,698	-
Acquisition and disposal fees – Total Return Fund	-	125	500
Other recoveries – sundry income	-	31	43
Total	**156**	**3,790**	**1,731**

Note:
1 Rounding differences may exist.
2 Lease income was reported as part of "Other recoveries" in FY14.
Source: 360 Capital.

In respect of the above, we note that:

(i) lease fee income relates to the lease renewals in 111 SGT in FY16 and the Office Fund in FY14

(ii) 360 CIML received distribution income from the units held in the Office Fund of some $425,000 in FY15 and FY16

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(iii) in FY15 360 CIML received $2,883,518 in acquisition and underwriting fees in relation to the incorporation of Retail Fund. 360 CIML acted as principal underwriter for the capital raising of Retail Fund

(iv) 360 CIML received acquisition and disposal fees in relation to the Total Return Fund of some $124,838 and $500,026 in FY15 and FY16 respectively.

Statement of financial position

7 The financial position of 360 CIML as at 30 June 2015 and 30 June 2016 is set out below:

360 CIML – statement of financial position[1]	30 Jun 15 Audited $000	30 Jun 16 Audited $000
Cash and cash equivalents	7,200	9,767
Trade and other receivables	1,718	233
Due from related entities	5,266	-
Financial assets at fair value through profit and loss	5,275	5,625
Intangible assets	-	9,629
Deferred exit fees	964	1,264
Total assets	**20,423**	**26,518**
Trade and other payables	1,047	441
Due to related parties	-	2,404
Deferred tax liabilities	284	373
Total liabilities	**1,331**	**3,219**
Net assets	**19,092**	**23,299**

Note:
1 Rounding differences may exist.
Source: 360 Capital.

8 In relation to the financial position, we note the following:

(a) **Cash and cash equivalents** – includes $5.0 million held as restricted cash due to Australian Securities & Investments Commission's (ASIC) NTA requirements (ASIC requires that each custodian have NTA of at least $10.0 million)

(b) **Due to / from related entities** – refer to amounts owing to / from 360 Capital

(c) **Financial assets at fair value** – represents the carrying value of 2.5 million units in the Office Fund. 360 Capital holds its interest in the Office Fund through 360 CIML as well as a number of other wholly owned funds

(d) **Intangible assets** – relates to the acquisition of the management rights to the ANI portfolio that were acquired in conjunction with the Industrial Fund's acquisition of ANI which was completed in December 2015

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(e) **Deferred exit fees** – relate to the amounts receivable by 360 CIML upon sale of investment property in a fund where 360 CIML is acting as the RE. Exit fees are accounted for on a present value basis in 360 CIML's accounts but on an undiscounted basis in the accounts of the funds to which they relate. Changes in value are included in the 360 CIML's income statement as exit fee revenue.

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Appendix E

Profile of the Industrial Fund

Overview

1 The 360 Capital Industrial Fund (Industrial Fund) is an externally managed REIT that listed on the ASX on 13 December 2012. The Industrial Fund focuses on passive rent collection from acquiring warehouse and logistics properties in Australia. The Industrial Fund's property portfolio substantially increased in size in December 2015 as a result of its acquisition of ANI. Its current portfolio consists of 37 industrial properties geographically diversified across Australia (NSW 43.5%, VIC 25.2%, QLD 19.3%, WA 9.2%, ACT 1.7% and SA 1.1%)[33].

2 The RE of the Industrial Fund is 360 CIML, a wholly owned subsidiary of 360 Capital. 360 Capital is the largest unitholder in the Industrial Fund with a holding of 15.6%.

3 The RE is entitled to a management fee which is calculated as 0.65% of the gross asset value during the relevant year, but is currently electing to charge 0.60% per annum. This fee is payable quarterly in arrears. Custodian fees are also paid to 360 CIML at a rate of 0.05% of gross assets.

4 A summary of the key statistics of the Industrial Fund is set out below:

Industrial Fund – key statistics	
Fund commencement date	August 2002
RE	360 CIML
Custodian	360 CIML
Interest held by 360 Capital	15.6%(1)
Number of properties held (including one held for sale)	37.0
Gross assets as at 30 June 2016 ($m)	923.3
Gross rental (12 mnths to 30 June 2016) ($m)	75.1
Distributions	Paid quarterly
FY16 distribution (cpu)	21.6
Forecast FY17 distribution guidance (cpu)	21.6

Note:
1 360 CIML, a wholly owned subsidiary of 360 Capital, holds 360 Capital's interest on trust.
Source: Industrial Fund Annual Report 2016 and associated ASX announcements.

Portfolio overview

5 A summary of the 37 properties currently held by the Industrial Fund is set out below:

33 Geographic break-up based upon independent property valuations as at 30 June 2016.

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Industrial Fund – portfolio overview as at 30 June 2016[1]

As at 30 June 2016		Valuation $m[2]	NLA[3] sqm	Occupancy %	WALE[4] Years	Cap rate %
2 Woolworths Way, Warnervale	NSW	80.9	54,533	100.0	5.1	7.25
457 Waterloo Road, Chullora	NSW	26.0	16,051	100.0	11.7	6.75
37-51 Scrivener Street, Warwick Farm	NSW	26.2	27,599	100.0	2.0	8.00
60 Marple Avenue, Villawood	NSW	18.5	18,493	100.0	1.7	8.50
8 Penelope Crescent, Arndell Park	NSW	15.5	11,420	100.0	0.8	7.50
52-74 Quarry Road, Erskine Park	NSW	15.2	8,867	100.0	4.4	6.75
92-98 Cosgrove Road, Enfield	NSW	37.6	33,863	100.0	4.3	7.50
12 Williamson Road, Ingleburn	NSW	34.0	25,666	100.0	7.2	7.25
10 Williamson Road, Ingleburn	NSW	36.5	27,260	100.0	3.1	7.50
74-94 Newton Road, Wetherill Park[5]	NSW	22.8	17,028	100.0	0.3	7.25
6 Macdonald Road, Ingleburn	NSW	17.9	12,375	100.0	2.2	7.25
30 Clay Place, Eastern Creek	NSW	16.3	6,012	100.0	9.4	6.50
75 Owen Street, Glendenning	NSW	7.8	4,600	100.0	2.5	6.75
29 Glendenning Road, Glendenning	NSW	39.1	21,298	100.0	12.4	6.50
102-128 Bridge Road, Keysborough	VIC	30.3	24,614	100.0	2.5	7.75
6 Albert Street, Preston	VIC	25.4	20,532	100.0	3.0	7.75
14-17 Dansu Court, Hallam	VIC	17.4	17,070	100.0	2.7	7.50
12-13 Dansu Court, Hallam	VIC	14.1	10,668	100.0	1.6	7.50
500 Princes Highway, Noble Park	VIC	20.0	13,794	70.0	2.9	8.25
39-45 Wedgewood Road, Hallam	VIC	9.3	10,631	100.0	0.7	7.75
24-32 Stanley Drive, Somerton	VIC	27.4	24,350	100.0	2.0	7.50
9 Fellowes Court, Tullamarine	VIC	3.8	4,072	100.0	0.5	7.25
324-332 Frankston-Dandenong Road	VIC	27.1	28,316	100.0	4.3	7.50
49 Temple Drive, Thomastown	VIC	13.0	13,438	100.0	0.1	8.00
2 Keon Parade, Keon Park	VIC	19.8	13,125	100.0	12.1	7.25
69 Studley Court, Derrimut	VIC	20.6	14,365	100.0	3.6	7.25
310 Spearwood Avenue, Bibra Lake	WA	50.0	59,508	100.0	2.4	8.00
23 Selkis Road, Bibra Lake	WA	17.3	18,235	100.0	6.0	8.25
99 Quill Way, Henderson	WA	16.3	16,419	100.0	1.7	8.25
136 Zillmere Road, Boondall	QLD	28.3	16,053	100.0	7.2	7.25
69 Rivergate Place, Murrarie	QLD	29.0	11,522	100.0	6.9	6.50
33-37 Mica Street, Carole Park	QLD	26.5	18,613	100.0	13.2	7.50
Lot 69 Jay Street, Townsville	QLD	10.8	4,726	100.0	9.0	8.00
22 Hawkins Crescent, Bundamba	QLD	43.3	18,956	100.0	8.4	7.25
1 Ashburn Road, Bundamba	QLD	36.6	26,628	100.0	3.6	7.75
54 Sawmill Circuit, Hume	ACT	15.3	8,689	100.0	5.7	7.25
9-13 Caribou Drive, Direk	SA	9.6	7,023	100.0	3.3	8.50
Total / weighted average		**905.2**	**686,411**	**99.4**	**4.7**	**7.45**

Note:
1 Rounding differences may exist.
2 External property valuations as at 30 June 2016.
3 NLA.
4 Weighted average lease expiry (WALE) by gross income as at 30 June 2016.
5 Property is held for sale as at 30 June 2016.
Source: Industrial Fund Annual Report 2016.

6 The Industrial Fund's properties are tenanted by a mix of listed companies, national and multi-national companies and other entities. The top tenants of the fund based on the proportion of total income as at 30 June 2016 were as follows:

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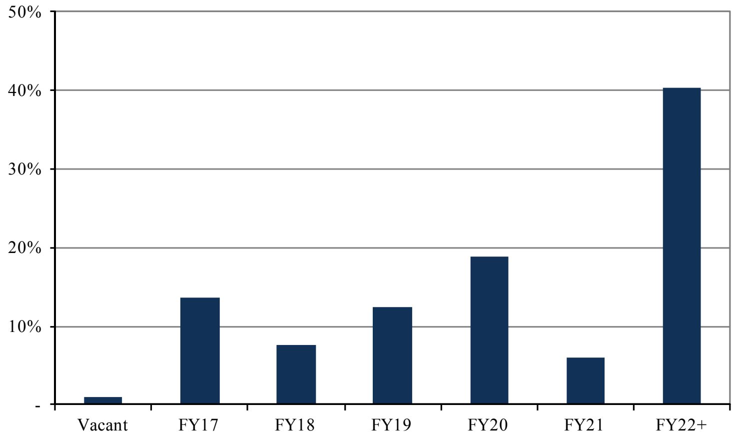
Industrial Fund – Top 10 tenants		
Tenant	Industry	% of total income
Woolworths	Consumer Retail	8.3
Greens General Foods	Consumer discretionary	6.3
Orora	Manufacturing	5.5
Visy Industries	Manufacturing	5.3
AWH	Logistics	4.6
The Reject Shop	Consumer Retail	4.3
API	Health & Pharmaceutical	4.3
Australia Post	Logistics	4.0
VIP Petfoods	Consumer discretionary	3.6
K&S Freighters	Logistics	3.4
Total		**49.6**

Source: Industrial Fund FY16 results presentation.

7 The lease expiry of the Industrial Fund is as follows:

Industrial Fund – lease expiry profile[(1)]
As at 30 June 2016



Note:
1 Based on income.
Source: Industrial Fund FY16 results presentation.

Statement of financial performance

8 The financial performance of the Industrial Fund for the two years ended 30 June 2016 is summarised below:

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Industrial – financial performance[1]	**FY15 Audited $000**	**FY16 Audited $000**
Rental income	47,293	75,109
Investment property expenses	(8,195)	(12,468)
Net property income	**39,098**	**62,641**
Management fees	(3,416)	(5,573)
Administrative expenses	(545)	(938)
EBIT	**35,137**	**56,130**
Finance costs	(10,540)	(14,820)
Finance revenue	130	152
Changes in fair value of properties	21,719	28,900
Net loss on sale of properties	(88)	(140)
Net loss on fair value of financial assets net of transaction costs	(740)	(4,951)
Net loss on fair value of derivative financial instruments	(4,599)	(7,366)
Loss on fair value of rental guarantee	-	(11)
Business combination transaction costs	-	(8,106)
Distributions from property funds	2,897	-
Net profit attributable to unitholders	**43,916**	**49,788**
Adjustment for specific non-cash items[2]	(15,829)	(16,127)
Adjustment for significant items[2]	88	8,246
Operating profit (before non-cash and significant items)	**28,175**	**41,907**
Pro-forma operating profit of ANI	-	6,255
Operating profit (including pro-forma adjustments)	**28,175**	**48,162**
Distributions to unitholders for the year ended 30 June 2016	**27,526**	**44,618**
Number of properties at the start of the year	18	22
Number of properties sold	1	1
Number of properties purchased	5	-
Number of properties acquired through ANI acquisition	-	16
Number of properties at the end of the year	**22**	**37**
Earnings per unit (cents)	*25.7*	*35.5*
Operating profit per unit (cents)	*22.7*	*22.8*
Distribution per unit (cents)	*21.0*	*21.6*

Note:
1 Rounding differences may exist.
2 Adjustments include add-backs for amortisation of incentives and leasing fees, fair value adjustments on properties, financial assets, derivatives and rental guarantee, loss on sale of properties, amortisation of borrowing costs, straight-lining of lease revenue and business combination transaction costs. These are more comprehensively outlined in Note 3 of the Industrial Fund Annual Report 2016.
Source: Industrial Fund Annual Report 2016.

9 In relation of the financial performance, we note the following:

(a) rental income as well as investment property, management and administrative expenses increased as a result of the additional 16 properties acquired through the ANI acquisition. Finance costs also increased as a result of the ANI acquisition

(b) the entire portfolio was independently valued as at June 2016

(c) a loss of $0.14 million was recognised with respect to the sale of 33-59 Clarinda Road, Oakleigh South, VIC

(d) business combination transaction costs of $8.11 million relate to stamp duty applicable to the transfer of ownership of the ANI property portfolio as well as legal and advisory fees associated with the transaction.

10 The Industrial Fund's policy is to distribute 90% to 100% of operating profit (before non-cash and significant items)[34] and the distributions for FY15 and FY16 were consistent with this policy. On 17 August 2016, the Industrial Fund noted that distributions for FY17 (i.e. the year ending 30 June 2017) are expected to be 21.6 cents per unit (cpu).

Statement of financial position

11 The financial position of the Industrial Fund as at 31 December 2015 and 30 June 2016 is set out below:

Industrial Fund – statement of financial position[1]	31 Dec 15 Reviewed $000	30 Jun 16 Audited $000
Cash and cash equivalents	5,743	4,452
Trade and other receivables	2,433	3,115
Investment properties	867,000	905,200[2]
Goodwill	7,613	10,501
Total assets	**882,789**	**923,268**
Trade and other payables	9,461	9,308
Distributions payable	11,393	11,499
Interest bearing liabilities	382,742	390,201
Derivative financial instruments	5,162	10,664
Total liabilities	**408,758**	**421,672**
Net assets	**474,031**	**501,596**
Units on issue (000s)	*211,957*	*211,957*
Net tangible assets (NTA) per unit ($)	*2.20*	*2.32*
Gearing (net debt[3] / total tangible assets less cash)	*43.4%*	*42.6%*

Note
1 Rounding differences may exist.
2 Includes 74-94 Newtown Road, Wetherill Park, NSW, which was held for sale as at 30 June 2016.
3 Before allowance for capitalised borrowing costs of $0.658 million and $1.299 million as at 31 December 2015 and 30 June 2016 respectively.
Source: Industrial Fund Half Year Report 2016 and Annual Report 2016.

12 In relation to the financial position, we note the following:

34 Source: Industrial Fund's Bidder's Statement for ANI dated 3 February 2015.

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(a) **Investment properties** – the investment properties are carried at values derived from the independent valuations as summarised in paragraph E5

(b) **Goodwill** – Goodwill of $10.5 million recognised as at 30 June 2016 relates to the premium associated with the ANI acquisition[35]

(c) **Distributions payable** – distributions comprise accrued distributions for the fourth quarter of the year that had been declared but not yet paid out to unitholders. The distribution for the fourth quarter of FY16 was 5.425 cents per unit which was paid on 26 July 2016

(d) **Interest bearing liabilities** – as at 30 June 2016, the Industrial Fund had debt facilities totalling $420.0 million which were drawn to $391.5 million, representing a LVR of 43.3%[36] which complied with the bank covenant of no less than 55.0%[37]. The interest cover ratio was calculated to be 4.5 times which complied with the bank covenant of no less than 2.0 times[38]. The borrowings of $390.2 million disclosed in the 30 June 2016 statement of financial position are net of $1.3 million in capitalised borrowing costs

(e) **Derivative financial instruments** – the Industrial Fund uses derivative financial instruments to hedge interest rate risk with respect of its borrowings. As at 30 June 2016, 102.2% of the Industrial Fund's debt was hedged ($400.0 million) with an average effective interest rate of 2.98%.

Capital structure and ownership

13 As at the date of this report, the Industrial Fund had 211.957 million ordinary units on issue.

14 As at the date of this report, 360 Capital held 33.149 million units or 15.6% of units on issue. The only other substantial unitholder (based upon substantial unitholder notices released to the ASX) was The Vanguard Group (Vanguard), with 11.894 million[39] units or a 5.61% interest.

Unit price performance

15 The following chart illustrates the movement in the share price of the Industrial Fund from 1 October 2014 to 18 November 2016:

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[35] The increase in goodwill from 31 December 2015 to 30 June 2016 relates to an increase in scrip consideration from $51.2 million to $54.4 million to acquire the remaining external non-controlling interests from 13 October 2015 to 1 December 2015.

[36] Based on the latest independent valuation of the property portfolio at $905.2 million.

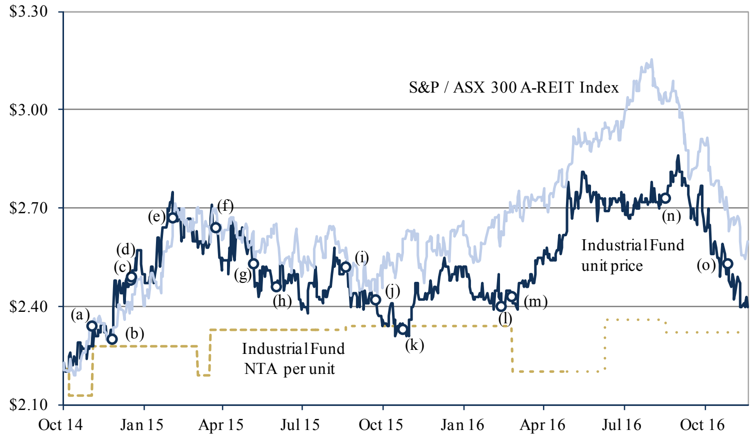
[37] The LVR is calculated as the amount of debt drawn under the trust's debt facility by the value of the assets that the debt is secured against.

[38] Source: Industrial Fund Annual Report 2016.

[39] Source: Industrial Fund change in substantial interest notice released 23 March 2016.

Appendix E

Industrial Fund – unit price history(1)
1 October 2014 to 18 November 2016



Note:
1 Based on closing prices. The S&P / ASX 300 A-REIT Index has been rebased to the Industrial Fund's last traded price on 1 October 2014 ($2.23).
Source: Bloomberg and Industrial Fund ASX announcements.

16 Since October 2014, the Industrial Fund has generally traded at a premium to its underlying NTA per unit and has very marginally underperformed the S&P / ASX 300 A-REIT Index. Key market sensitive announcements during the period are as follows:

(a) **3 November 2014** – announced that independent valuations had been completed for 11 properties as at 31 October 2014 resulting in a $17.5 million increase in value. NTA per unit increased to $2.28

(b) **26 November 2014** – announced FY15 distributions were forecast to increase 4.2% to 20.0 cpu from previous guidance of 19.2 cpu. Also announced the acquisition of 69 Rivergate Place, Murarrie, QLD for $27.0 million

(c) **17 December 2014** – announced the acquisition of 136 Zillmere Road, Boondall for $25.0 million

(d) **18 December 2014** – announced an indicative non-binding proposal to acquire all units in ANI for consideration of 0.89 Industrial Fund units for every ANI unit

(e) **3 February 2015** – announced 1H15 results and NTA per unit of $2.19. Also released the Bidder's Statement for ANI of 0.89 Industrial Fund units for every ANI unit and announced an additional cash payment of 3.0 cents per ANI unit if 360 Capital was appointed RE of ANI or in excess of 50% ANI unitholders accept the offer

(f) **24 March 2015** – increased offer for ANI to 0.90 Industrial Fund units plus a cash payment of 4.5 cpu, with a further cash payment of 10.0 cents if 360 Capital was appointed RE of ANI or in excess of 50% ANI unitholders accept the offer

(g) **6 May 2015** – declared its offer for ANI as unconditional

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(h) **1 June 2015** – announced the distribution for June 2015 quarter to be 6.07 cpu, up from previous guidance of 5.07 cpu

(i) **19 August 2015** – announced FY15 results. October 2014 and March 2015 independent valuations resulted in a $35.0 million increase in asset values and an increase in NTA per unit to $2.34

(j) **22 September 2015** – increased offer for ANI to 0.90 Industrial Fund units and 24.5 cents cash per ANI unit[40], as well as further 4.84[41] cents cash per ANI unit for unitholders who accept before 12 October 2015

(k) **23 October 2015** – announced that it had acquired a relevant interest in ANI of more than 90.1% and that it would proceed to compulsory acquisition

(l) **12 February 2016** – announced that it had repaid in full, the debt associated with the ANI portfolio and increased its debt facility limit from $305.0 million to $420.0 million

(m) **24 February 2016** – announced 1H16 results. FY16 operating earnings guidance upgraded from 22.3 cpu to 22.7 cpu although distribution guidance remained unchanged at 21.6 cpu. NTA per unit decreased to $2.20 due to the dilution caused by the ANI transaction

(n) **17 August 2016** – announced FY16 results. The entire portfolio was independently valued as at 30 June 2016 resulting in a $38.2 million increase in book values and NTA to $2.32 per unit

(o) **27 October 2016** – speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).

Liquidity in Industrial Fund units

17 The liquidity in the Industrial Fund units based on trading on the ASX over the 12 month period prior to 26 October 2016[42] as well as for the period from 27 October 2016 to 18 November 2016 is set out below:

Industrial Fund – liquidity in units						
			No of units traded	WANOS[(1)] outstanding	Implied level of liquidity	
Period	Start date	End date	000	000	Period[(2)] %	Annual[(3)] %
Post speculation[(4)]						
3.4 weeks	27 Oct 16	18 Nov 16	5,344	211,957	2.5	38.6
Pre speculation[(4)]						
1 month	27 Sep 16	26 Oct 16	5,883	211,957	2.8	33.3
3 months	27 Jul 16	26 Oct 16	16,717	211,957	7.9	31.5
6 months	27 Apr 16	26 Oct 16	48,189	211,957	22.7	45.5
1 year	27 Oct 15	26 Oct 16	105,686	211,297	50.0	50.0

40 14.5 cpu to be paid by Industrial Fund and 10.0 cents per ANI unit to be paid by 360 Capital.

41 Being the ANI equivalent of the Industrial Fund's September distribution.

42 Being the last trading date prior to speculation in the financial press with respect to potential corporate activity between 360 Capital and Centuria Capital (and their related funds).

Appendix E

Note:
1 Weighted average number of securities outstanding (WANOS) during relevant period.
2 Number of units traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.
4 On 27 October 2016, speculation emerged in the financial press with respect to corporate activity between 360 Capital and Centuria Capital (and their related funds).
Source: Bloomberg and LEA analysis.

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Appendix F

Profile of the 441 Murray Street Trust

Overview

1 The 360 Capital 441 Murray Street Property Trust (441 Murray Street Trust) is an unlisted registered managed investment scheme that was established in August 2001 to acquire and hold the property at 441 Murray Street, WA for an initial period of 10 years. The property is a B grade building located in the Perth CBD with a NLA of 5,941 sqm.

2 Whilst the 441 Murray Street Trust was initially due to expire in October 2011, unitholders have approved two separate extensions to the term. The first extension was approved in April 2011 (to extend the term to October 2016) and the second in May 2016 (to extend the term to October 2019).

3 The RE of the 441 Murray Street Trust is 360 CIML, a wholly owned subsidiary of 360 Capital. The RE is entitled to a management fee calculated as 5.0% of the gross rental income. Custodian fees are also paid to 360 CIML at a rate of 0.05% of gross assets.

4 A summary of the key statistics of the 441 Murray Street Trust is set out below:

441 Murray Street Trust – key statistics	
Fund commencement date	August 2001
Fund expiry	October 2019
RE	360 CIML
Custodian	360 CIML
Interest held by 360 Capital	35.7%[1]
Number of properties held	1.0
Gross assets as at 30 June 2016 ($m)	22.4
Gross rental (12 mths to 30 June 2016) ($m)[2]	3.0
Distributions	Paid monthly
FY16 distribution (cpu)	33.0
FY17 distribution guidance (cpu)	n/a

Note:
1 Represents the interest held directly by 360 Capital Diversified Property Fund, a wholly owned subsidiary of 360 Capital.
2 Rental before amortisation of incentives and leasing fees.
Source: 360 Capital.
n/a – not applicable.

Portfolio overview

5 A summary of the 441 Murray Street Trust's sole property is set out below:

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441 Murray Street Trust – portfolio overview						
As at 30 June 2016	Sector	Valuation[1] $m	NLA sqm	Occupancy %	WALE[2] years	Cap rate %
441 Murray Street, WA	Office	22.0	5,941	100.0	0.4	8.25

Note:
1 External property valuation as at 15 October 2015.
2 WALE by income as at 30 June 2016.
Source: 360 Capital.

6 The sole tenant, the Minister for Works (WA Police), indicated in September 2015 that it would not renew its lease beyond its expiry on 2 December 2016. In response, 360 CIML (as RE), has pursued various courses of action aimed at re-leasing the property. These include:

(a) securing planning permission to broaden the use of the property to include education, business services and medical consulting uses

(b) refurbishing the property, with work expected to commence in November 2016.

7 A replacement tenant(s) has not yet been secured.

Statement of financial performance

8 The financial performance of the 441 Murray Street Trust for the two years ended 30 June 2016 is summarised below:

441 Murray Street Trust – financial performance[1]	FY15 Audited $000	FY16 Audited $000
Rental income	2,906	3,003
Investment property expenses	(569)	(680)
Net property income	**2,337**	**2,323**
Management fees	(172)	(171)
Exit fees	50	88
Other expenses	(55)	(57)
EBIT	**2,160**	**2,183**
Net finance costs	(585)	(560)
Changes in fair value of properties	(2,045)	(3,695)
Changes in fair value of derivative financial instruments	(29)	78
Reported net profit attributable to unitholders	**(499)**	**(1,994)**
Exit fees	(50)	(88)
Changes in fair value of properties and derivative financial instruments	2,074	3,617
Amortisation of incentives and leasing fees	176	176
Amortisation of borrowing costs	36	13
Operating profit (before non-cash and significant items)	**1,737**	**1,725**
Distributions to unitholders for the year ended 30 June 2016	**1,592**	**1,717**
Earnings per unit (cents)	*(9.6)*	*(38.3)*
Operating profit per unit (cents)	*33.4*	*33.2*
Distribution per unit (cents)	*30.6*	*33.0*

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Appendix F

Note:
1 Rounding differences may exist.
Source: 360 Capital.

9 Although the 441 Murray Street Trust has incurred net losses per unit on a statutory reporting basis, these losses have been primarily due to losses on revaluation of the property. FY16 performance was also impacted by an increase in direct property expenses.

10 The 441 Murray Street Trust's distributions are paid monthly. Distributions are based on operating profit (before non-cash and significant items)[43].

11 However, 441 Murray Street Trust has indicated that under the terms of its current debt facility, it is not able to make distributions beyond FY16 until an interest cover ratio (ICR) of 2.0 times can be achieved. Accordingly, due to the sole tenant not renewing its lease as discussed above, the 441 Murray Street Trust has suspended distributions until the property is re-leased and therefore has not provided any distribution guidance for FY17 (i.e. the year ending 30 June 2017)[44].

Statement of financial position

12 The financial position of the 441 Murray Street Trust as at 31 December 2015 and 30 June 2016 is set out below:

441 Murray Street Trust – statement of financial position	31 Dec 15 Reviewed $000	30 Jun 16 Audited $000
Cash and cash equivalents	518	328
Trade and other receivables	282	91
Properties at fair value	22,000	22,000
Total assets	**22,800**	**22,419**
Trade and other payables	652	411
Interest bearing liabilities	10,524	10,821
Derivative financial instruments	27	-
Exit fee liability	550	550
Total liabilities	**11,753**	**11,782**
Net assets	**11,047**	**10,637**
Units on issue (000s)	*5,203*	*5,203*
NTA per unit ($)	*2.12*	*2.04*
Gearing (net debt[(1)] / total assets less cash)	*45.0%*	*47.6%*

Note:
1 Before allowance for capitalised borrowing costs of $0.02 million and $0.02 million as at 31 December 2015 and 30 June 2016 respectively.
Source: 360 Capital.

43 Source: 360 Capital website.
44 Source: 360 Capital 2016 Unlisted Trust and Fund Annual Report dated 18 October 2016.

13 In respect of the above statement of financial position, we note the following:

(a) **Properties at fair value** – the 441 Murray Street Trust's property was externally valued as at 15 October 2015 at $22.0 million (with this value being adopted for the internal property valuation as at 30 June 2016). The valuation represented a 13.7% reduction on the 30 June 2015 carrying value of $25.5 million and reflected the notification by the sole tenant that it would not be extending its lease

(b) **Interest bearing liabilities** – the 441 Murray Street Trust has a $12 million senior debt facility with Bankwest due to expire in June 2017. Some $10.8 million of the facility had been drawn down as at 30 June 2016. The undrawn component of the debt facility is intended for the property refurbishment and funding of ongoing capital expenditure. The LVR at 30 June 2016 was 49.3%[45] which is compliant with the covenant of less than 55.0%. However, as previously discussed, the debt facility prohibits any distributions from being made beyond FY16 until an interest coverage ratio of 2.0 times can be achieved.

The borrowings of $10.8 million disclosed in the 30 June 2016 statement of financial performance are net of $20,000 of capitalised borrowing costs

(c) **Exit fee liability** – fee payable to 360 CIML upon the sale of the property asset or wind-up of the fund. In broad terms, the fee is calculated based upon the sale price of the property and the capital gain upon the sale (if any).

Capital structure

14 As at the date of this report, the 441 Murray Street Trust had 5.203 million units on issue. The 360 Capital Diversified Property Fund, a wholly owned entity of 360 Capital, held 1.855 million or 35.7% of the units on issue. The next largest unitholder holds some 0.2 million or 3.8% of the units on issue.

45 The LVR is calculated as the amount of debt drawn under the trust's debt facility by the value of the assets that the debt is secured against.

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Appendix G

Profile of the Havelock House Trust

Overview

1 The 360 Capital Havelock House Property Trust (Havelock House Trust) is an unlisted registered managed investment scheme that was established in July 2002 to acquire and hold the properties at 29 Havelock Street and 2 Ord Street, West Perth (collectively Havelock House) for a period of 10 years. Havelock House comprises a 98 bed hospital, a three level office building and a mixture of other office, group therapy and communal rooms spread over a NLA of 4,856 square metres (sqm).

2 The Havelock House Trust was initially due to expire in May 2012, however, in April 2013 unitholders approved a proposal to extend the term to May 2017 in order to maximise the value of their investment. In May 2016, unitholders approved a further four year extension of the term to May 2021.

3 The RE of the Havelock House Trust is 360 CIML, a wholly owned subsidiary of 360 Capital. The RE is entitled to a management fee calculated as 6.0% of the gross rental income. Custodian fees are also paid to 360 CIML at a rate of 0.05% of gross assets.

4 A summary of the key statistics of the Havelock House Trust is set out below:

Havelock House Trust – key statistics	
Fund commencement date	July 2002
Fund expiry	May 2021
RE	360 CIML
Custodian	360 CIML
Interest held by 360 Capital	39.3%(1)
Number of properties held	1.0
Gross assets as at 30 June 2016 ($m)	25.3
Gross rental (12 mths to 30 June 2016) ($m)(2)	2.5
Distributions	Paid monthly
FY16 distribution (cpu)	11.0
FY17 distribution guidance (cpu)	13.5

Note:
1 Represents the interest held directly by 360 Capital Diversified Property Fund, a wholly owned subsidiary of 360 Capital.
2 Rental income before amortisation of incentives and leasing fees.
Source: 360 Capital.

Portfolio overview

5 A summary of the Havelock House Trust's sole property is set out below:

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Havelock House Trust – portfolio overview						
As at 30 June 2016	Sector	Valuation[1] $m	NLA Sqm	Occupancy %	WALE[2] years	Cap rate %
Havelock House, WA	Office	25.2	4,856	100.0	11.6	7.50

Note:
1 Directors' valuation as at 30 June 2016.
2 Weighted average WALE by income as at 30 June 2016.
Source: 360 Capital.

6 In May 2013, the Havelock House Trust entered into a new 15 year lease with Havelock House's sole tenant, the Perth Clinic. The terms of the new lease included the removal of a problematic rent review clause in the previous lease which had negatively impacted on the trust's ability to source financing (and accordingly reduced the saleability of the property). In addition, under the terms of the new lease, the Havelock House Trust is required to refurbish certain parts of the property.

7 The lease expires in January 2028 and allows for annual CPI rent reviews plus two 10-year options to renew the lease.

Statement of financial performance

8 The financial performance of the Havelock House Trust for the two years ended 30 June 2016 is summarised below:

Havelock House Trust – financial performance[1]	FY15 Audited $000	FY16 Audited $000
Rental income	2,484	2,527
Investment property expenses	(600)	(603)
Net property income	**1,884**	**1,924**
Management fees	(165)	(164)
Exit fees	(66)	(232)
Other expenses	(64)	(62)
EBIT	**1,589**	**1,466**
Net finance costs	(692)	(619)
Changes in fair value of properties	1,665	(17)
Changes in fair value of derivative financial instruments	(38)	82
Reported net profit attributable to unitholders	**2,524**	**912**
Exit fees	66	232
Changes in fair value of properties and derivative financial instruments	(1,627)	(65)
Amortisation of incentives and leasing fees	13	13
Amortisation of borrowing costs	73	81
Operating profit (before non-cash and significant items)	**1,049**	**1,173**
Distributions to unitholders for the year ended 30 June 2016	**920**	**1,012**
Earnings per unit (cents)	*27.4*	*9.9*
Operating profit per unit (cents)	*11.4*	*12.8*
Distribution per unit (cents)	*10.0*	*11.0*

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Note:
1 Rounding differences may exist.
Source: 360 Capital.

9 In relation to the financial performance of Havelock House Trust, we note that the operating profit per unit increased by 11.8% which was primarily due to an increase in rental income combined with a reduction in financing costs.

10 Havelock House Trust's distributions are paid monthly. Distributions are based upon operating earnings (before non-cash and significant items)[46]. On 18 October 2016, the Havelock House Trust noted that distributions for FY17 (i.e. the year ending 30 June 2017) are expected to be 13.5 cents per unit[47].

Statement of financial position

11 The financial position of the Havelock House Trust as at 31 December 2015 and 30 June 2016 is set out below:

Havelock House Trust – statement of financial position	31 Dec 15 Reviewed $000	30 Jun 16 Audited $000
Cash and cash equivalents	243	90
Trade and other receivables	262	37
Properties at fair value	24,900	25,200
Total assets	**25,405**	**25,327**
Trade and other payables	335	194
Interest bearing liabilities	11,614	11,649
Derivative financial instruments	53	26
Exit fee liability	253	529
Total liabilities	**12,255**	**12,398**
Net assets	**13,150**	**12,929**
Units on issue (000s)	*9,200*	*9,200*
NTA per unit ($)	*1.43*	*1.41*
Gearing (net debt(1) / total assets less cash)	*45.4%*	*45.9%*

Note:
1 Before allowance for capitalised borrowing costs of $0.064 million and $0.029 million as at 31 December 2015 and 30 June 2016 respectively.
Source: 360 Capital.

46 Source: 360 Capital website.
47 Source: 360 Capital 2016 Unlisted Trust and Fund Annual Report dated 18 October 2016.

12 In relation to the financial position, we note the following:

(a) **Properties at fair value** – the property valuation as at 30 June 2016 represents an internal valuation. The latest independent property valuation was conducted as at 30 June 2015 and valued the property at $24.8 million

(b) **Interest bearing liabilities** – Havelock House Trust has $13.0 million debt facility with the National Australia Bank Limited which is due to expire in May 2018. Approximately $11.7 million of the facility had been drawn as at 30 June 2016, representing a LVR of 46.3%[48] which is compliant with the debt covenant of less than 59.5%. In addition, the interest cover ratio was 3.6 times which is above the debt covenant minimum of 1.8 times.

The borrowings of $11.6 million disclosed in the 30 June 2016 statement of financial position are net of $29,000 of capitalised borrowing costs

(c) **Derivative financial instruments** – Havelock House Trust uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. Havelock House Trust currently has an interest rate hedge covering 56% of the drawn amount at an interest rate of 1.91% (plus margin) which expires in May 2018

(d) **Exit fee liability** – fee payable to 360 CIML upon the sale of the property asset or wind-up of the fund. In broad terms, the fee is calculated based upon the sale price of the property and the capital gain upon the sale (if any).

Capital structure

13 As at the date of this report, the Havelock House Trust had 9.2 million units on issue. The 360 Capital Diversified Property Fund, a wholly owned entity of 360 Capital, held 3.574 million or 38.8% of the units on issue. The next largest unitholder holds some 0.2 million or 2.2% of the unit on issue.

48 The LVR is calculated as the amount of debt drawn under the trust's debt facility by the value of the assets that the debt is secured against.

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Appendix H

Profile of 111 SGT

Overview

1 The 360 Capital 111 St Georges Terrace Property Trust (111 SGT) is an unlisted registered managed investment scheme that was established in January 2002 to acquire and hold the property at 111 St Georges Terrace, Perth, Western Australia. The property is an A grade office building situated within the Perth CBD. It has a NLA of 18,978 square spanning 20 levels, and contains approximately 78 undercover basement car bays.

2 111 SGT was initially due to expire in January 2012. However, in April 2011 unitholders approved a five year extension of the trust to May 2017. In December 2014, unitholders approved a further five year extension of the term to January 2022.

3 The RE of 111 SGT is 360 CIML, a wholly owned subsidiary of 360 Capital. The RE is entitled to a management fee calculated as 6.0% of the gross rental income. Custodian fees are also paid to 360 CIML at a rate of 0.05% of gross assets.

4 In July 2016, 111 SGT announced that it would seek to raise up to \$9.79 million through the issue of 2.63 million new units at an offer price of \$3.73 per unit (reported NTA per unit as at 30 June 2016 was \$3.74). The purpose of the capital raising was to reduce 111 SGT's borrowings so as to provide capacity for future capital expenditure, leasing costs and tenant incentives. The capital raising had two components comprising:

(a) a 1 for 7 entitlement offer to raise up to \$9.79 million from existing unitholders

(b) a general offer to new unitholders for any shortfall not taken up under the entitlement offer.

5 Between 1 July 2016 and 31 October 2016, 111 SGT received applications for and has allotted 0.921 million units (i.e. \$3.44 million out of the total sought of \$9.79 million). The capital raising has been extended to 31 December 2016.

6 A summary of the key statistics of 111 SGT is set out below:

111 SGT – key statistics	
Fund commencement date	Jan 2002
Fund expiry	Jan 2022
RE	360 CIML
Custodian	360 CIML
Interest held by 360 Capital	44.4%(1)
Number of properties held	1.0
Gross assets as at 30 June 2016 (\$m)	142.0
Gross rental (12 mths to 30 June 2016) (\$m)(2)	14.3
Distributions	Paid monthly
FY16 distribution (cpu)	32.0
FY17 distribution guidance (cpu)	32.0

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Note:
1 Represents the combined interest held directly by 360 Capital Trust and 360 Capital Diversified Property Fund which are both wholly owned entities of 360 Capital.
2 Rental income before straight-lining of lease revenue and amortisation of incentives and leasing fees.
Source: 360 Capital.

Portfolio overview

7 A summary of 111 SGT's sole property is set out below:

111 SGT – portfolio overview

As at 30 June 2016	Sector	Valuation[(1)] $m	NLA sqm	Occupancy %	WALE[(2)] years	Cap rate %
111 St Georges Terrace, WA	Office	139.0	18,978	87.9	4.2	7.63

Note:
1 External property valuation as at 31 December 2015.
2 WALE by income as at 30 June 2016.
Source: 360 Capital.

8 111 SGT's property is mainly tenanted by government bodies as indicated in the following table which shows the trust's top tenants by rental income:

111 SGT – Top 10 tenants

Tennant	Industry	% of gross passing rent
WA Industrial Relations Commission	Government	25.6
Ministry of Justice	Government	18.5
WA Electoral Commission	Government	10.1
Fair Works Australia	Government	8.8
Bank of Queensland	Financial Services	8.4
Total		**71.4**

Source: 360 Capital.

9 The trust maintains a rolling capital works program to ensure that the property remains attractive, with works to upgrade the end of trip facilities (such as showers and change rooms) nearing completion and improvements to the property's facade currently in progress. Recent major capital works completed include the upgrade of the secondary condenser water loop and structural repairs to the rooftop.

10 During FY16, 5,269 square metres (equivalent to approximately 27.8% of total NLA) was leased to existing and new tenants including the Bank of Queensland (2,106 square metres), Administration Appeals Tribunal (1,638 square metres) and the Commonwealth Bank of Australia (988 square metres).

11 A breakdown of the lease expiry profile of 111 SGT by gross income is set out below:

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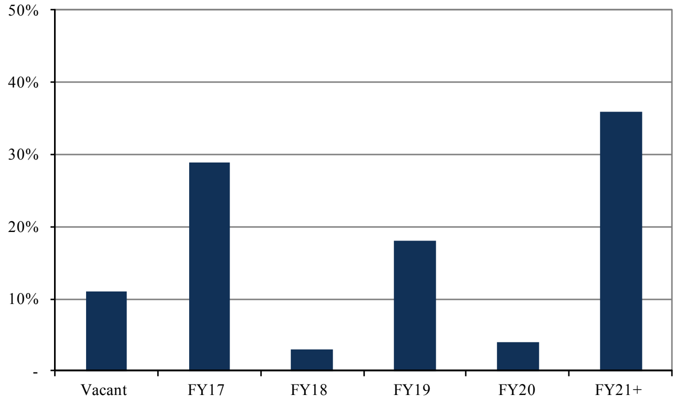
Appendix H

111 SGT – lease expiry profile by gross income
As at 30 June 2016



Source: 360 Capital.

Statement of financial performance

12 The financial performance of 111 SGT for the two years ended 30 June 2016 is summarised below:

111 SGT – financial performance(1)

	FY15 Audited $000	FY16 Audited $000
Rental income	13,060	13,280
Investment property expenses	(3,865)	(3,826)
Net property income	**9,195**	**9,454**
Management fees	(913)	(928)
Exit fees	(59)	-
Other expenses	(69)	(129)
EBIT	**8,154**	**8,397**
Net finance costs	(3,315)	(3,308)
Changes in fair value of properties	555	928
Changes in fair value of derivative financial instruments	(568)	475
Net profit attributable to unitholders	**4,826**	**6,492**
Exit fees	59	-
Changes in fair value of properties and derivative financial instruments	13	(1,403)
Straight-lining of lease revenue	66	242
Amortisation of incentives and leasing fees	808	773
Amortisation of borrowing costs	201	161
Operating profit (before non-cash items)	**5,973**	**6,264**
Distributions to unitholders for the year ended 30 June 2016	**5,760**	**5,882**
Earnings per unit (cents)	*26.9*	*35.3*
Operating profit per unit (cents)	*33.2*	*34.1*
Distribution per unit (cents)	*32.0*	*32.0*

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Note:
1 Rounding differences may exist.
Source: 360 Capital.

13 Operating earnings increased by 2.5% in FY16 largely due to an increase in rental income as a result of the leasing activities discussed above.

14 111 SGT's distributions are paid monthly. Distributions are based upon operating earnings (before non-cash and significant items)[49]. On 18 October 2016, 111 SGT noted that distributions for FY17 (i.e. the year ending 30 June 2017) are expected to be 32.0 cents per unit[50].

Statement of financial position

15 The financial position of 111 SGT as at 31 December 2015 and 30 June 2016 is set out below:

111 SGT – statement of financial position	31 Dec 15 Reviewed \$000	30 Jun 16 Audited(2) \$000
Cash and cash equivalents	1,100	1,164
Trade and other receivables	656	720
Properties at fair value	139,000	140,100
Total assets	**140,756**	**141,984**
Trade and other payables	2,240	2,303
Interest bearing liabilities	69,243	70,421
Derivative financial instruments	532	401
Exit fee liability	50	50
Total liabilities	**72,065**	**73,175**
Net assets	**68,691**	**68,809**
Units on issue (000s)	*18,380*	*18,380*
NTA per unit (\$)	*3.74*	*3.74*
Gearing (net debt(2) / total assets less cash)	*49.1%*	*49.4%*

Note:
1 We have not adjusted the 30 June 2016 position to reflect the capital raising which is currently in progress. We note that the capital raising is being undertaken at NTA and therefore should have no material impact on the reported net asset position.
2 Before allowance for capitalised borrowing costs of \$0.36 and \$0.24 million as at 31 December 2015 and 30 June 2016 respectively.
Source: 360 Capital.

16 In relation to the financial position, we note the following:

49 Source: 360 Capital website.
50 Source: 360 Capital 2016 Unlisted Trust and Fund Annual Report dated 18 October 2016.

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Appendix H

(a) **properties at fair value** – the valuation of the property reflects the outcome of an internal valuation undertaken by the RE as at 30 June 2016. The most recent independent property valuation was completed in December 2015 and valued the property at $139.0 million (adopting a capitalisation rate of 8.0%)

(b) **interest bearing liabilities** – 111 SGT has a $74.0 million debt facility with Bankwest expiring in June 2019. Approximately $70.7 million of the facility had been drawn as at 30 June 2016, representing a LVR of 50.8%[51] which is compliant with the debt covenant of less than 55.0%. In addition, the ICR was 3.3 times which is above the minimum ICR required by the covenant of more than 2.0 times.

The borrowings of $70.4 million disclosed in the 30 June 2016 statement of financial position are net of $0.2 million of capitalised borrowing costs

(c) **derivative financial instruments** – 111 SGT uses derivative financial instruments to hedge interest rate with respect to its borrowings. 111 SGT currently has an interest rate hedge covering $65.0 million of the drawn facility amount at an interest rate of 3.0% (plus margin) which expires in January 2017

(d) **exit fee liability** – fee payable to 360 CIML upon the sale of the property asset or wind-up of the fund. In broad terms, the fee is calculated based upon the sale price of the property and the capital gain upon the sale (if any).

Capital structure

17 As at 30 June 2016, 111 SGT had 18.380 million units on issue. The 360 Capital Diversified Property Fund and 360 Capital Trust, both wholly owned entities of 360 Capital, held 1.146 million and 7.021 million of the units on issue respectively (representing a combined interest in the trust of 44.4%). The next largest unitholder held some 0.350 million or 1.9% of the units on issue.

18 As previously discussed, 111 SGT is currently undertaking a $9.79 million capital raising. The capital raising is due to continue until 31 December 2016.

51 The LVR is calculated as the amount of debt drawn under the trust's debt facility by the value of the assets that the debt is secured against.

Appendix I

Profile of the Retail Fund

Overview

1 The 360 Capital Retail Fund No.1 (Retail Fund) is an unlisted registered managed investment scheme that was launched in March 2015 to purchase a property portfolio comprising the City Centre Plaza and Windsor Marketplace properties located in Rockhampton, Queensland and Windsor, NSW respectively. The Retail Fund has an initial seven year term expiring in June 2022 but can (subject to unitholder approval) be extended for further periods of up to three years each.

2 The City Centre Plaza property is a sub-regional shopping centre situated in the Rockhampton CBD and contains a full-line Coles supermarket, a Target department store and 35 speciality stores. The property covers approximately 14,145 square metres of NLA and has 491 car parking spaces.

3 The Windsor Marketplace property is a neighbourhood shopping centre and is occupied by a Woolworths supermarket, a free-standing medical centre and nine specialty stores. The property covers 5,349 square metres of NLA and has 162 car parking spaces.

4 The RE of the Retail Fund is 360 CIML, a wholly owned subsidiary of 360 Capital. The RE is entitled to a management fee calculated as 0.6% of the gross asset value of the fund. Custodian fees are also paid to 360 CIML at a rate of 0.05% of gross assets.

5 A summary of the key statistics of the Retail Fund is set out below:

Retail Fund – key statistics	
Fund commencement date	March 2015
Fund expiry	June 2022
RE	360 CIML
Custodian	360 CIML
Interest held by 360 Capital	66.4%(1)
Number of properties held	2.0
Gross assets as at 30 June 2016 ($m)	72.5
Gross rental (12 mths to 30 June 2016) ($m)(2)	8.0
Distributions	Paid monthly
FY16 distribution (cpu)	8.0
FY17 distribution guidance (cpu)	8.0

Note:
1 Represents the interest held directly by 360 Capital Diversified Property Fund, a wholly owned subsidiary of 360 Capital.
2 Rental before straight-lining of lease revenue and amortisation of incentives and leasing fees.
Source: 360 Capital.

Portfolio overview

6 A summary of the Retail Fund's properties is set out below:

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Appendix I

Retail Fund – portfolio overview

As at 30 June 2016	Sector	Valuation[1] $m	NLA sqm	Occupancy %	WALE[3] years	Cap rate %
City Centre Plaza, Qld	Retail	50.0	14,145	97.6	4.6	7.00
Windsor Marketplace, NSW	Retail	21.4	5,349	95.2	11.4	6.75
Total / weighted average		**71.4**	**19,494**	**96.9**	**6.5**	**6.93**

Note:
1 External property valuation as at 30 June 2016.
2 WALE by income as at 30 June 2016.
Source: 360 Capital.

7 The following table sets out the funds top tenants by rental income:

Retail Fund – Top 10 tenants

Tennant	Industry	% of gross passing rent
Target Australia (City Centre Plaza)	Department Store	21.6
Woolworths (Windsor Marketplace)	Supermarket	16.8
Coles (City Centre Plaza)	Supermarket	14.5
Café Emporio (City Centre Plaza)	Food and Beverage	2.7
Blooms the Chemist (Windsor Marketplace)	Retail	2.5
Total		**58.1**

Source: 360 Capital.

8 Since 1 July 2015, the Retail Fund has successfully leased an additional 1,529 square metres of NLA (equivalent to 10.8% of total NLA).

9 A breakdown of the lease expiry profile of the Retail Fund by gross income is set out below:

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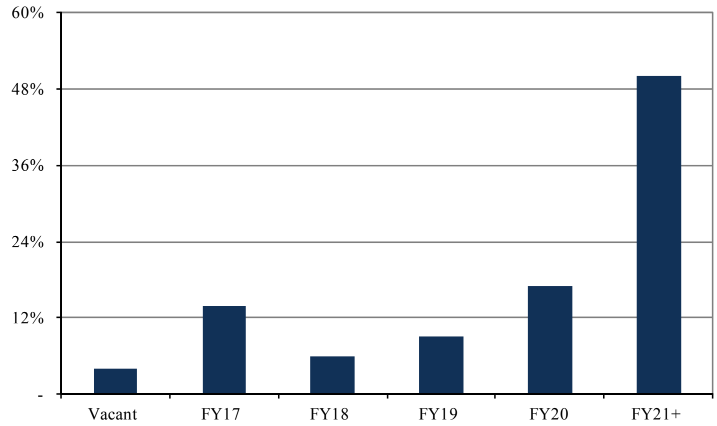
Appendix I

Retail Fund – lease expiry profile by gross income
As at 30 June 2016



Source: 360 Capital.

Statement of financial performance

10 The financial performance of the Retail Fund for the year ended 30 June 2016 is summarised below:

Retail Fund – financial performance[1]	FY16 Audited $000
Rental income	7,959
Investment property expenses	(3,103)
Net property income	**4,856**
Management fees	(102)
Other expenses	(188)
EBIT	**4,566**
Net finance costs	(1,350)
Changes in fair value of properties	(4,085)
Changes in fair value of derivative financial instruments	(1,398)
Reported net profit attributable to unitholders	**(2,267)**
Changes in fair value of properties and derivative financial instruments	5,483
Straight-lining of lease revenue	(140)
Amortisation of incentives and leasing fees	173
Amortisation of borrowing costs	73
Sales and marketing cost[2]	118
Operating profit (before non-cash items)	**3,440**
Distributions to unitholders for the year ended 30 June 2016	**3,440**
Earnings per unit (cents)	*(5.3)*
Operating profit per unit (cents)	*8.0*
Distribution per unit (cents)	*8.0*

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Appendix I

Note:
1 Rounding differences may exist.
2 Costs associated with the capital raising of the fund.
Source: 360 Capital.

11 FY16 represented the first full financial year of the Retail Fund since being launched in March 2015. Total distributions for the year amounted to 8.0 cents per unit which was equivalent to an 8% distribution yield on the original issue price of $1.00 per unit.

12 The Retail Fund's policy is to distribute approximately 90% to 100% of operating earnings (before non-cash and significant items) on a monthly basis[52] and the distributions for FY16 were consistent with this policy. On 9 August 2016, the Retail Fund noted that distributions for FY17 (i.e. the year ending 30 June 2017) are expected to be 8.0 cents per unit[53].

Statement of financial position

13 The financial position of the Retail Fund as at 31 December 2015 and 30 June 2016 is set out below:

Retail Fund – statement of financial position	31 Dec 15 Reviewed $000	30 Jun 16 Audited $000
Cash and cash equivalents	1,854	593
Trade and other receivables	788	487
Properties at fair value	75,350	71,400
Total assets	**77,992**	**72,480**
Trade and other payables	2,960	871
Interest bearing liabilities	33,888	34,725
Derivative financial instruments	490	1,534
Total liabilities	**37,338**	**37,130**
Net assets	**40,654**	**35,350**
Units on issue (000s)	*43,000*	*43,000*
NTA per unit ($)	*0.95*	*0.82*
Gearing (net debt[(1)] / total assets less cash)	*42.3%*	*47.7%*

Note:
1 Before allowance for capitalised borrowing costs of $0.189 million and $0.152 million as at 31 December 2015 and 30 June 2016 respectively.
Source: 360 Capital.

52 Source: 360 Capital Retail Fund No.1 Product Disclosure Statement dated March 2015.
53 Source: 360 Capital RG198 announcement, FY17 distribution, 9 August 2016.

14 In respect of above statement of financial position, we note the following:

(a) **Properties at fair value** – the carrying values of the properties are based upon independent valuations completed as at 30 June 2016. The decline in value is a result of a slowdown in the Central Queensland economy which reduced the value of the City Centre Plaza property. This was partially offset by an increase in the assessed value of the Windsor Marketplace property in response to strong investor demand for neighbourhood centres which lowered the assessed capitalisation rate of the property by 25 basis points

(b) **Interest bearing liabilities** – the Retail Fund currently has a $37.4 million debt facility with St George expiring in June 2018. Approximately $34.9 million had been drawn as at 30 June 2016, representing a LVR of 48.8%[54] which is compliant with the debt covenant of less than 60%. In addition, the Retail Fund's ICR was 3.7 times greater than the minimum ICR of more than1.8 times required by the debt covenant.

The borrowings of $34.7 million disclosed in the 30 June 2016 statement of financial position are net of $0.2 million of capitalised borrowing costs

(c) **Derivative financial instruments** – the Retail Fund uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. The Retail Fund currently has an interest rate hedge in place over the drawn facility amount at an interest rate of 2.54% (plus margin) which expires in June 2022. However, the hedge is callable by St George at any time after 31 December 2019.

Capital structure

15 The Retail Fund has two classes of units on issue, being ordinary units and underwrite units. Each class of unit rank equally, however, the proceeds from the future allotment of ordinary units may be used to redeem the underwrite units at the prevailing issue price.

16 As at the date of this report, the Retail Fund had 43.0 million units on issue (14.456 million ordinary and 28.544 million underwrite). The 360 Capital Diversified Property Fund, a wholly owned entity of 360 Capital, held 28.544 million underwrite units or 66.4% of the total units on issue (or 100% of the underwrite units on issue). The next largest unitholder holds some 0.7 million ordinary units or 1.6% of the total units on issue (or 4.8% of the ordinary units on issue).

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54 The LVR is calculated as the amount of debt drawn under the fund's debt facility by the value of the assets that the debt is secured against.

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Appendix J

Glossary

Abbreviation	Definition
111 SGT	360 Capital 111 St Georges Terrace Property Trust
360 CIT	360 Capital Investment Trust
360 Capital	360 Capital Group
360 CIML	360 Capital Investment Management Limited
360 CIML Proposal	Proposal under which entities associated with Centuria Capital will acquire all the shares in 360 CIML
441 Murray Street Trust	360 Capital 441 Murray Street Property Trust
360 AREIT	360 Capital AREIT Fund
Additional Transactions	The 360 CIML Proposal, the Co-investment Transactions and the Vendor Loan
ANI	Australian Industrial REIT
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CBD	Central business district
Centuria Capital	Centuria Capital Group
CFML	Centuria Funds Management Limited
CMA	Centuria Metropolitan REIT
Co-investment Transactions	Centuria Capital, or entities associated with Centuria Capital, proposed acquisition of 360 Capital's interests in the Industrial Fund, the 441 Murray Street Trust, the Havelock House Trust, 111 SGT and the Retail Fund
Corporations Act	*Corporations Act 2001 (Cth)*
cpu	Cents per unit
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FUM	Funds under management
FY	Financial year
Havelock House	29 Havelock Street and 2 Ord Street, West Perth
Havelock House Trust	360 Capital Havelock House Property Trust
ICR	Interest cover ratio
IER	Independent expert's report
Industrial Fund	360 Capital Industrial Fund
JV	Joint venture
LEA	Lonergan Edwards & Associates Limited
LVR	Loan to value ratio
NLA	Net lettable area
NPV	Net present value
NTA	Net tangible asset
Office Fund	360 Capital Office Fund
Proposal	The proposed sale by 360 Capital of its 28.8% interest in the Office Fund to Centuria Capital and entities associated with Centuria Capital for cash consideration of $2.25 per unit
RE	Responsible entity
REIT	Real estate investment trust
Retail Fund	360 Capital Retail Fund No.1
RG 111	Regulatory Guide 111 – *Content of expert reports*

Appendix J

Abbreviation	Definition
sqm	Square metres
Subiaco Square Trust	360 Capital Subiaco Square Trust
Total Return Fund	360 Capital Total Return Fund
TPGN21	Takeovers Panel Guidance Note 21: *Collateral Benefits*
Vanguard	The Vanguard Group
Vendor Loan	18 month $50 million 5.0% per annum interest only loan from 360 Capital to Centuria Capital
VWAP	Volume weighted average price
WA	Western Australia
WALE	Weighted average lease expiry
WANOS	Weighted average number of securities outstanding

360 Capital Office Fund
ARSN 106 453 196

If you have any queries about the Notice of Meeting, the Explanatory Memorandum or the Proposed Acquisition, please contact your financial, legal or other professional adviser or the **360 Capital Office Fund Meeting helpline** as follows:

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