27 August 2014

**360 CAPITAL GROUP (TGP)**
**FY14 RESULTS**
**STRONG EPS GROWTH FROM $1.12 BILLION PLATFORM**

360 Capital Group (ASX code: TGP) (Group) is pleased to announce its financial results for the financial year ended 30 June 2014 (FY14).

The Group delivered a statutory net profit of $23.0 million for the year, representing a 465.0% increase compared to the prior year loss of $6.3 million. Operating earnings for the Group were $12.2 million for the year, an increase of 177.1% on the prior year.

In October 2013, the Group purchased 360 Capital Property Group in an off-market transaction. This strategic acquisition continued the transformation of the Group into a diversified real estate investment and funds management group.

The Group's investment philosophy is currently focused on three key business areas:

- Funds management
- Co-investment in managed funds
- Direct asset investment

Managing Director, Tony Pitt said, "The Group made significate progress in disposing of its direct asset investments in line with the Groups strategy of becoming a pure fund manager with co-investments in the funds it manages."

**Key highlights for the year:**

- Increased FUM and direct assets from $821.4 million at acquisition to $1.12 billion
- Raised $70.8 million via an institutional placement at a 27% premium to the trading price[1]
- Acquired the mezzanine Lawson loan for $22.6 million and realised a $4.8 million uplift
- Commenced asset repositioning and re-leasing strategy at the Group's Hurstville property
- Disposed of two direct property investments
- Delivered returns to Group and unitholders of managed funds, including:
    - Successful IPO of the $235.0 million 360 Capital Office Fund on the ASX (ASX code: TOF) in April 2014
    - TOF unconditionally exchanged contracts to dispose of its Burwood asset at a 32.7% premium to book value, preparing its balance sheet for growth
    - Restructure of the 360 Capital Developments Income Fund (Income Fund) resulting in liquidity and a return of capital to its unitholders;
    - Continued to drive co-investment income and capital growth with increased FY14 distributions and co-investment value from managed funds (TIX FY14 total return 17.3%, TOF NTA increasing 12.0% since listing in April 2014)

[1] ASX closing price of $0.465 on 19 August 2013

**Post year end activities**

- Raised $61.0 million in 360 Capital Industrial Fund (ASX code TIX) and acquired $103.3 million of modern industrial facilities on long leases taking TIX gross assets to $469.1 million
- Rationalised managed funds:
  - Leased 3,417sqm (34.5% of total area) at 44 Sydney Avenue, Canberra and recommended winding up the 360 Capital Canberra Trust (Canberra trust) to provide liquidity
  - Group made an offer to minority unitholders in 360 Capital Diversified Property Fund to consolidate the Fund into the Group and provide full liquidity
- Proposed the extension of 360 Capital Subiaco Square Shopping Centre Property Trust (Subiaco Trust) as well as the realisation and resetting of the exit fee
- Launched the 360 Capital AREIT Fund (AREIT Fund), a property securities fund managed by Damian Diamantopoulos as Head of Property Securities

**FY14 Financial highlights**

- Statutory net profit of $23.0 million up from $6.3 million loss in pcp
- Operating profit of $12.2 million up 177.1% from $4.3 million in pcp
- Statutory EPS of 12.05cps up from 7.40 cps loss in pcp
- Operating EPS of 6.40cps up 24.0% from 5.16 cps in pcp
- Including "active earnings" EPS was $19.3 million equating to 10.1 cps for FY14
- Sustainable DPS of 5.00cps for FY14 in line with forecasts
- Net assets increased 185.8% to $142.6 million from $49.9 million in pcp
- Group debt of $25.0 million equated to net gearing of 6.9% and look-through gearing of 35.8%
- 30 June 2014 closing trading price of $0.785 per Security up 61.9% from $0.485 a year prior
- Significantly outperformed S&P/ASX300 Index with 72.2% FY14 total return.
- Group's ASX market capitalisation increased 371.5% to $195.2 million at 30 June 2014 from $41.4 million at 30 June 2013.

**Financial results**

The Group's statutory net profit attributable to Securityholders for the financial year ended 30 June 2014 was $23.0 million, equating to 12.05cps, a significant turnaround compared to the loss of $6.3 million for FY13.

FY14 operating profit was $12.2 million up 177.1% on FY13 operating profit, reflecting the growth in operating activities resulting from the acquisition of 360 Capital Property Group.

On an operating basis, FY14 EPS was up 24.0% on the prior year to 6.40cps, in line with revised increase in guidance provided to the market in February 2014.

The main difference between operating earnings of 6.40cps and statutory profit of 12.05cps was as a result of two factors being active earnings (representing capital deployed into repositioning and trading opportunities) and fair value movements, both of these contributions to the Groups overall returns were created by the Groups ability to actively generate earnings from its capital deployed, and enhance the value of its investments.

In addition to operating earnings the Group generated active earnings of $7.1 million, comprising from fees and profits from the Lawson loan investment of $4.8 million and $2.3 million from restructuring the Income fund as part of TOF's IPO. These profits equated to 3.71cps over and above the Group's operating profit per Security taking operating profit including active earnings to $19.3 million or 10.1 cents per security.

Fair value movements included the net "bargain purchase gain" of $8.6 million arising from the acquisition of 360 Capital Property Group in October 2013 (reflecting a discount paid compared to the fair value of net assets acquired), including $5.0 million attributable to the intangible value of the Group's funds management rights at the time, less transaction costs.

These fair value gains were offset by the revaluation of the Group's investment portfolio including the Hurstville property which resulted in a loss of approximately $5.0 million due to the ATO's decision not to renew its lease, and a $0.5 million reduction in the carrying value of the Goulburn asset reflecting the agreed sale price. In total, direct asset revaluations equated to (2.87)cps. Other revaluation and fair value adjustments mainly related to increases in the Group's co-investments, a total uplift of $2.2 million, these were offset by other non-cash adjustments including tax expense, costs of the employee security plan and straight-lining of rental income totalling $3.7 million.

The Group's net asset backing strengthened with total assets increasing by over $100.0 million through the acquisition of 360 Capital Property Group and the Lawson loan. The Group recognised an intangible asset of $5.0 million representing the estimated value of the 360 Capital Property Group's management rights at the time of acquisition.

As at 30 June 2014, the Group had a fully drawn $25 million debt facility with NAB. Post 30 June 2014, the Group reduced the amount drawn to $15.8 million via the application of excess cash and proceeds from the Goulburn sale.

The Group's balance sheet as at 30 June 2014 had gross assets of $173.9 million comprising cash of $14.4 million (8%), Co-investments of $101.3 million (58%), direct assets $42.8 million (25%) and other assets $15.4 million (9%).

**Funds management**

With the acquisition of 360 Capital Property Group on 2 October 2013, the Group acquired a substantial and scalable property funds management business comprising both listed and unlisted funds.

In the nine months following, the Group's funds management division increased its FUM (including direct assets) from $821.4 million at acquisition to $1.12[2] billion and has also rationalised the number of managed funds thereby providing liquidity to unitholders.

During this nine month period, the funds management business generated revenue of $5.2 million from recurring management fees and other income before one-off fees. The funds management division's net operating profit before tax was $1.1 million for FY14.

In addition to the recurring management fees from the funds management division, the Group also received $2.3 million in one-off fees mainly from the recognition of previously impaired fees from the Income Fund.

[2] Funds under management (FUM) includes, $29.0 of CJT estimated total assets and the value of ATO Building, Hurstville and excludes value of co-investments, fund loans, and Goulburn asset which settled post 30 June 2014

## Listed Funds

The Group now manages two ASX listed Funds and is contracted to take over the management of a third being CJT. Total FY14 FUM across these three funds was $757.0 million.

Over the past 18 months, the Group continued to be well supported in the listed market, with the Group and its managed funds raising in excess of $375 million in new equity.

TIX remains the Group's largest managed fund. With high demand for industrial assets resulting in firming industrial property yields, the Group has remained disciplined in focusing on EPU and DPU as opposed to FUM growth at any cost. Consequently TIX did not purchase any additional assets over FY14, but save its capital for deployment post period end into three properties for a total of $103.3 million, taking TIX's FUM to $469.1 million.

In April 2014, TOF settled the acquisition of $135.5 million of high quality office properties after listing on the ASX, following the successfully raising of $155.0 million in new equity, including full liquidity for the Income Fund and the signing of a new $100.0 million debt facility.

TOF has a mandate to invest in A-grade suburban assets and B-grade CBD assets, a market characterised by depth and fewer competitors and as such TOF is expected to be one of the main drivers of the Group's recurring management fee revenues.

In February 2014, the Group entered into a conditional contract to purchase the responsible entity of CJT, a small ASX-listed fund with an estimated $29.0 million in total assets. The Group along with the current Board of CJT's responsible entity has undertaken a strategic review of the fund and is supportive of a new investment mandate and proposed change in the responsible entity to 360 Capital which will be formally recommended to CJT unitholders in the coming months.

The aim is for CJT to be managed by the Group and be repositioned as a well-capitalised listed investment vehicle targeting total returns in excess of 12% on equity through property related investments activities including asset repositioning, debt investment, underwriting activities, provision of liquidity and other special situations as they arise. In addition to benefitting CJT unitholders, CJT's proposed new investment mandate is expected to complement both the Group and its managed funds, and is not expected to conflict with the strategies of the Group's other managed funds or the business activities of the Group. It is also proposed to change the name of CJT to 360 Capital Total Return Fund.

## Unlisted Funds and Trusts

Within the Group's unlisted Trust business the focus has been to maximise current portfolio value and returns for unitholders and rationalising the non-core Trusts in order to provide liquidity to unitholders. During FY14, the Group purchased the 360 Capital Retail Fund after unitholder approval and, following the sale of its sole asset, providing full liquidity to unitholders. In addition 360 Capital Development Income Fund (Income Fund) unitholders approved a proposal to receive cash for their units, or as an alternative, units in TOF as part of the TOF IPO.

Post year end, as a result of significant leasing at 44 Sydney Avenue, Canberra, the responsible entity recommended to Canberra Trust unitholders approve the wind up the Trust, which was subsequently approved by Trust unitholders at the meeting on 25 August 2014.

Furthermore, on the 13 August 2014, the Group made an offer to all of the unitholders in the 360 Capital Diversified Property Fund (Diversified Fund) to purchase all of the units the Group does not already own at $0.25 per unit for total consideration of $21.2 million. This transaction is structured as a scheme of arrangement with Fund unitholders to vote on the proposal on 8 September 2014.

On 22 July 2014, the Group launched the 360 Capital AREIT Fund, a property securities fund managed by Damian Diamantopoulos as Head of Property Securities. Damian has over 12 years' experience, as a property securities manager, is responsible for growing the property securities business and is located in the Group's Melbourne office.

The Group's five unlisted closed-ended Trusts, the Diversified Fund and the AREIT Fund represent total funds under management of $319.5 million.

Post year end, the Group also entered into exclusive due diligence to purchase a new neighbourhood shopping centre for approximately $21.9 million, with the Centre expected to be syndicated into a new Unlisted Trust to be launched in September 2014 and provide a template for further unlisted Trusts structured under 360 Capital's management.

The Group is focused on becoming one of the top five providers of unlisted property trusts in Australia and as such intends to grow this business aggressively.

**Co-investments in managed funds**

As at 30 June 2014, the Group had $101.3 million in co-investment assets including investments in, and loans to, its managed funds. The equity and loan co-investments comprised:

- $26.4 million representing a 40.8% stake in 360 Capital 111 St Georges Terrace Property Trust (111 SGT)
- $36.9 million representing a 58.9% stake in 360 Capital Diversified Property Fund and loan
- $38.0 million representing a 25.3% stake in 360 Capital Office Fund (ASX Code: TOF)

In the nine months from the date of the acquisition of 360 Capital Property Group to 30 June 2014, the Group's co-investments including loans, generated $6.8 million of Group operating profit, representing a 9.5% annualised income return on capital invested.

The loan investments have been rationalised significantly including the conversion of the Lawson loan to units in TOF leaving the Group with one loan to the Diversified Fund for $1.0 million as at 30 June 2014.

As mentioned above, the Group made an offer to all of the unitholders in the Diversified Fund to purchase all of the units the Group does not already own at $0.25 per unit for a total consideration of $21.2 million. Unitholder approval of this transaction on 8 September 2104 will result in unitholders gaining long sought-after liquidity and the Fund becoming wholly owned subsidiary of the Group, boosting co-investment by the Group by $21.2 million.

The Group also benefited from a further $4.8 million in profits (considered active earnings) from the uplift in value of the Lawson loan from its purchase price of $22.6 million in November 2013, subsequently converting the proceeds to units in TOF at its ASX listing and an additional $2.2 million uplift from recognising the value of the Group's equity interest in the Income Fund.

The Group's co-investment in 111 SGT performed well over FY14 with FY15 distributions forecast to be in line with FY14 at $0.32 per unit, before they expecting to increase strongly in FY16 as a result of 25.9% of the property's leases (by income) expiring on passing rents which are significantly below current market rents.

The Group will continue to allocate capital to its listed co-investments and will look to allocate temporary capital to new unlisted property trusts in the form of underwriting capital as it commences rolling out new 360 Capital unlisted managed trusts.

**Direct asset investments**

Following the acquisition of 360 Capital Property Group, the strategy of the Group has been to transition to become a fund manager and co-investor, and divest its direct real estate investments to redeploy the capital into higher return on equity activities.

In August 2013, the Group settled the disposal of EDI building at Granville for $5.3 million, reducing Group debt with the net proceeds. In December 2013 the Group entered into a conditional sale contract for $4.3 million in relation to its Goulburn facility, and post 30 June 2014, the property was settled with net proceeds used to reduce the Group's drawn debt.

The Group's major remaining direct asset, the ATO building at Hurstville is now being repositioned following the ATO's decision during the period not to renew its lease beyond 15 February 2015 as part of a change of ATO strategy and a major reorganisation of its national accommodation requirements.

The Group has appointed Colliers International to undertake the re-leasing campaign on the ATO building at Hurstville following its recent leasing of over 8,000sqm in TOF's Burwood office complex. A number of prospective tenants have requested lease proposals to accommodate their requirements in FY15, with various inspections also occurring (including NSW State and Federal Government departments and private enterprises).

360 Capital and its consultants have formalised the building's capital expenditure requirements post the ATO's departure. These works are expected to cost between $5.0 million and $5.5 million.

The Group's strategy of divesting assets and recycling capital into other activities has not changed as a result of the ATO's impending departure. The property has a book value of $38.5 million as at 30 June 2014, a value reflecting the impending expiry.

The Group's stated strategy allows it to consider a number of potential disposal strategies for the Hurstville property which may include disposal to one of 360 Capital's managed funds, or to the open market. A potential disposal part way through the current releasing campaign on a structured basis may also be considered as is, as long as the net proceeds were in line with the Group's expected profit as if a full releasing campaign had occurred (less costs).

FY14 operating net profit from direct asset investment was $5.9 million, up 5.6% on the prior year mainly as a result of reduced interest costs in 2014 through reduced borrowings within the Group.

**360 Capital Group** incorporating 360 Capital Group Limited ABN 18 113 569 136 & 360 Capital Investment Trust ABN 78 307 043 667

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### Summary and Outlook

The Group is in the final stages of implementing its business plan to become a pure funds management and co-investor group, as outlined during the October 2013 capital raising. The ATO building at Hurstville is the last asset to dispose of from the Group's balance sheet.

The Group will continue to maintain its "capital light" strategy, opting to grow earnings and distributions per Security in excess of its peers from a tight capital base.

With significant variability surrounding the outcome for the ATO building (in terms of both re-leasing and profit from sale of the asset), the **Group is forecasting FY15 "base operating earnings" of between 5.5 cps and 6.9 cps for FY15**, with the difference representing potential downtime from ATO vacating the building.

Apart from one property, which the Group is in the process of launching in a new unlisted Trust, these FY15 "base operating earnings" do not allow for any other growth in FUM or any fees associated with this growth.

The positive impact from additional unlisted Trusts launched to the Group's 10,800 investor base and growth in the Group's three ASX listed funds (TIX, TOF and a re-launched CJT) is expected to result in these FY15 "base operating earnings" increase significantly.

The Group is also expected to continue to **generate FY15 "active earnings" of between 3.1cps and 5.5cps on top of FY15 "base operating earnings". These "active earnings"** are expected to arise from the potential sale of the ATO building, forecast benefit from the proposed offer for the Diversified Fund and other identified opportunities which the Group is currently investigating.

As a result of these factors, the Board has elected to **increase FY15 distributions to 5.25cps, an increase of 5.0% on FY14**.

The Group's key focuses for FY15 are:

- Remain focused on maximising portfolio value within the managed funds in order to maximise investors' returns
- Finalise the acquisition of the Diversified Fund
- Commence rolling out new 360 Capital unlisted trusts to the Group's 10,800 investor platform
- Continue the Hurstville property's repositioning strategy and dispose of the asset in FY15
- Recapitalise CJT as the "360 Capital Total Return Fund" and implement the new investment strategy for that Fund
- Secure suitable replacement asset(s) for TOF and target S&P/ASX 300 AREIT inclusion
- Continue to grow TIX on an accretive basis and target S&P/ASX 200 AREIT inclusion
- Grow 360 Capital AREIT Fund as well as secure other property securities mandates
- Recycling capital from Hurstville asset into higher ROE activities to continue to drive Group EPS.

Managing Director, Tony Pitt said "In a year that transformed the Group, the team was not only able to integrate the two groups seamlessly, but continue to grow the platform across the two listed funds and rationalise the unlisted trust business in preparation for rolling out further unlisted trusts and growth initiatives of the Group."

The "capital light" model at the Group level is paying dividends with not only solid base earnings being generated during the year, but with the Group's income being enhanced from other "active" opportunities which are emerging within the marketplace.

Mr Pitt continued "While value from acquisitions is becoming harder to extract from the marketplace, the Group and its managed funds remain disciplined, focusing on earnings and distributions growth per security, while continuing to be nimble and opportunistic in our approach. This approach, we believe, will continue to generate above market returns for Group Securityholders as well as the investors in our managed funds and trusts."

A TGP investor/analyst briefing teleconference call will be held on 27 August 2014 at 2:00pm Sydney time. To view the webcast of this teleconference on the day, please visit www.360capital.com.au and follow the links to register.

For more information, please contact:

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***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 21 full time staff have significant property, funds and investment management experience. 360 Capital Group manages nine investment vehicles holding assets valued at approximately $1.0 billion on behalf of over 10,800 investors, has over $100 million worth of co-investments across the 360 Capital Group platform and owns a direct asset valued at $38.5 million.