

## ASX Release

18 December 2014

### Unsolicited, indicative non-binding proposal to acquire all units in ANI

Fife Capital Funds Limited ("**Responsible Entity**"), as the responsible entity for the Australian Industrial REIT ("**ANI**" or the "**Fund**") announces that yesterday it received an unsolicited, indicative, non-binding proposal from 360 Capital Investment Management Limited ("**CIML**") as responsible entity for 360 Capital Industrial Fund ("**TIX**") to acquire all outstanding units in ANI by way of a trust scheme for 100% scrip consideration (the "**Proposal**"). A copy of the letter from TIX setting out the Proposal is attached.

The receipt of the Proposal follows a request received on 16 December 2014 from CIML as responsible entity of 360 Capital Diversified Property Fund and 360 Capital Investment Trust for a copy of the register of members for the Fund for the purpose of calling a meeting to remove the Responsible Entity of the Fund ("**Request**").

The Proposal is a full scrip offer of 0.89 TIX units for every ANI unit. The Proposal is incomplete and subject to a number of conditions including undertaking due diligence.

A separate indicative, non-binding proposal to acquire all of the shares in the Responsible Entity was put to the shareholder of the Responsible Entity yesterday by 360 Capital Group Limited.

Mr Rod Pearce, Independent Chairman of the Responsible Entity said: "The Board of the Responsible Entity has not yet formed a view on the merits of the Proposal and whether it is in the best interests of ANI unitholders. No assurance can be given that the Proposal or any other transaction will proceed."

As announced yesterday, the Board of the Responsible Entity has established an independent board committee ("**IBC**") to consider and respond to the Request. The IBC will also undertake a detailed review of the Proposal, in conjunction with its advisers.

#### No action is required by ANI unitholders at this time.

The Responsible Entity is being advised by UBS AG, Australia Branch and Fort Street Advisers as financial advisors and King & Wood Mallesons as its legal counsel.

The Responsible Entity will provide further updates to the market as appropriate.

– ENDS –

For further information please contact:

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**About the Australian Industrial REIT (ASX: ANI)**

The Fund is an Australian real estate investment trust that offers investors exposure to a quality portfolio of 16 industrial properties with a total value of \$308.4 million located across Sydney, Melbourne and Perth. The Fund's earnings are underpinned by the portfolio's long average lease term, with leases to a range of quality tenants.



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17 December 2014

Mr Rod Pearse  
Independent Chairman  
Fife Capital Funds Limited as Responsible Entity of the Australian Industrial REIT  
Level 12, 89 York Street  
SYDNEY NSW 2000

Dear Sir,

**PROPOSED ACQUISITION OF AUSTRALIAN INDUSTRIAL REIT (ANI) BY 360 CAPITAL INDUSTRIAL FUND (TIX)**

360 Capital Investment Management Limited (360CIML) as responsible entity of 360 Capital Industrial Fund (ASX: TIX) hereby presents an indicative non-binding proposal for the acquisition of ANI by TIX by way of an agreed trust scheme ("Proposal").

360CIML believes the Proposal will deliver significant benefits and value to unitholders in TIX and ANI.

**Proposed Terms**

360CIML has determined the following terms under the Proposal. This is based on analysis of publically available information.

*Merger ratio:* 0.89 TIX units for every one ANI unit.

*Implied Offer Price:* \$2.16 per ANI unit based on TIX closing price on 15 December 2014, ex ANI December 2014 estimated quarterly distribution. This is equivalent to \$2.25 per ANI unit inclusive of ANI December 2014 distributions

*Unitholder approvals:* a special resolution to be passed by ANI unitholders. Subject to usual ASIC relief being granted, no TIX unitholder approval will be required.

*Due diligence period:* 4 week exclusive due diligence period. During that period customary no shop/no talk provisions will apply.



*Conditions:* Satisfactory due diligence, ANI unitholder approval, customary ASIC instruments of relief, no new issues of securities, no material acquisitions, entry into binding legal documents and final board approvals. The final documents will include conditions typical of transactions of this nature.

**Benefits to ANI Unitholders** The Proposal has a sound strategic basis and would deliver to ANI unitholders significant benefits including:

*Premium to NTA:* based on the Implied Offer Price of \$2.16 (ex distribution basis), the scheme consideration **represents an 11.5% premium to the Net Tangible Assets ("NTA") of ANI as at 30 June 2014.**

*Premium to ANI Historical Trading Price:* Based on the TIX closing price on 15 December 2014 (ex December 2014 estimated quarterly distribution), the scheme consideration **represents a premium of 5.7% to the 30 day VWAP of ANI (ex December 2014 estimated 6 monthly distribution) on 5 December 2014 when 360 Capital lodged its substantial holder notice)**

*Distribution Accretive:* Based on the most recent distribution guidances given by TIX and ANI, ANI unitholders will receive a 4.9% increase in their annualised distributions on an effective per unit basis.

*Creation of largest listed pure rent-collecting industrial REIT in Australia:* The combination of TIX and ANI will create the market leading sector specialist with gross assets in excess of \$810 million, providing for an increased weighting in the S&P/ASX 300 Index and the potential for a substantial re-rating and a reduced cost of capital.

*Sell-down of ANI non-core assets:* ANI has approximately 41% of its portfolio expiring in FY16 & FY17. TIX has identified approximately \$50 million in non core assets sales to reduce this imminent risk in the ANI portfolio as part of the Proposal.

*Increased Liquidity:* The combination of the two entities should attract new investors and result in enhanced liquidity for ANI unitholders.

*Operating synergies:* It is expected that the merger of the two vehicles will deliver operating synergies.

*Enhanced portfolio:* Increased portfolio size, geographic diversification and improved quality of earnings should reduce ANI's cost of capital and improve growth prospects.

**Metrics of Merged Entity**

The overall metrics of the merged entity would be as follows:

<b>Gross assets:</b>	\$810 million
<b>Market capitalisation:</b>	circa \$500 million
<b>Gearing:</b>	41.6%
<b>No. of assets:</b>	37
<b>Portfolio WALE:</b>	5.5 years
<b>Occupancy:</b>	99.9%
<b>WACR:</b>	8.3%

**Timetable**

360CIML is in a position to move quickly in relation to the Proposal having already briefed advisors. It is expected that an announcement in respect of the Proposal could be made in early January with implementation to take place by the end of February.

**Status of Proposal**

This Proposal is incomplete and indicative only and is not capable of acceptance or otherwise giving rise to binding obligations. For the avoidance of doubt, this letter cannot be considered a notification or announcement of an intention to make a takeover offer.

We look forward to your response with the aim of securing a mutually beneficial outcome for unitholders in ANI and TIX. I can be contacted on (02) 8405 8860.

Yours faithfully



**Tony Pitt**  
**Managing Director**  
**360 Capital Investment Management Limited**  
**As Responsible Entity for**  
**360 Capital Industrial Fund**