

17 February 2015

The Manager
Company Notices Section
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Australian Industrial REIT – Dispatch of Chairman’s Letter & Presentation to Unitholders

Please find attached a letter and presentation that will be dispatched to Australian Industrial REIT (ASX: ANI) unitholders today.

Yours faithfully

Fife Capital Funds Limited as responsible entity for the Australian Industrial REIT



Keir Barnes
Chief Financial Officer & Company Secretary

17 February 2015

Dear Unitholder,

It is anticipated that 360 Capital Investment Management Limited ("**360 Capital**") in its capacity as responsible entity of 360 Capital Industrial Fund ("**TIX**") will dispatch to you today the Bidder's Statement in relation to TIX's unsolicited off-market scrip takeover offer to acquire all the units in the Australian Industrial REIT ("**ANI**") (the "**Offer**").

The Independent Board Committee ("**IBC**") of Fife Capital Funds Limited in its capacity as responsible entity of ANI is continuing its detailed review of the Bidder's Statement, in conjunction with its advisers. At this stage the IBC has identified a number of financial and governance concerns in relation to the Offer.

If the Offer proceeds, adverse financial outcomes for ANI unitholders include:

- Lower forecast earnings per unit¹
- Lower forecast distributions per unit¹
- Lower net tangible assets ("**NTA**") per unit²
- A significantly higher level of gearing²
- Lack of a compelling or certain premium in the value of TIX scrip offered

Governance concerns for ANI unitholders arising from the Offer include:

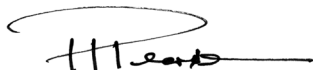
- the responsible entity of TIX does not have any directors who are independent of 360 Capital Group³ (being the separate ASX listed group, owner of 360 Capital and substantial holder in ANI)
- 360 Capital has not set out how it would deal with conflicts between ANI and TIX in the situation where TIX and ANI remain listed on ASX and a 360 Capital Group entity is the responsible entity of both ANI and TIX

Enclosed is a presentation setting out more detail regarding our concerns.

Your Directors advise you to take no action in relation to the Bidder's Statement until receipt of ANI's Target's Statement.

The Target's Statement, containing an Independent Expert's Report and recommendation by the IBC, is expected to be released to the ASX in late February 2015 and dispatched to you by 4 March 2015.

Your Directors will continue to provide you with further updates, as appropriate.



Rod Pearse OAM

Independent Chairman

Fife Capital Funds Limited

as responsible entity of the Australian Industrial REIT

1. Pro-forma forecast distributable earnings and distributions for FY15 and FY16 as detailed in the enclosed presentation.

2. Pro-forma impact as at 31 December 2014 as detailed in the enclosed presentation.

3. The 360 Capital Group comprises stapled entities 360 Capital Group Limited and 360 Capital in its capacity as responsible entity of the 360 Capital Investment Trust and their controlled entities.



Take no action at this time in relation to the TIX Offer

AUSTRALIAN
INDUSTRIAL
REIT



FY16 earnings guidance and update on 360 Capital
Industrial Fund offer for ANI

17 February 2015



Background

- Australian Industrial REIT ('ANI') provides unitholders with exposure to a quality portfolio of industrial real estate delivering a reliable earnings stream and prospects for long term capital growth
 - since IPO, ANI has consistently traded at a premium to NTA, and has grown through attractive acquisitions sourced by Fife Capital
 - the FY16 distributable earnings and distribution guidance outlined in this presentation reflects the strong ongoing performance of ANI
- ANI is currently the subject of an all-scrip¹ takeover offer from 360 Capital Industrial Fund (ASX: TIX) ('Offer')
 - the Offer provides scrip consideration of 0.89 TIX units for each ANI unit
 - clear strategic intent from the ASX-listed 360 Capital Group (ASX: TGP), which wholly owns the responsible entity of TIX, to secure management control of ANI
- An independent board committee comprising Rod Pearce, Michael Allen and Peter Dransfield ('IBC') has been established to undertake a detailed review of the Offer in conjunction with its advisers
- TIX Replacement Bidder's Statement was lodged with ASX on 13 February 2015 and is expected to be dispatched on 17 February 2015



IBC has significant concerns

ANI unitholders should take no action at this time in relation to the TIX Offer

- The IBC has previously outlined significant concerns in relation to a scheme proposal put forward by TIX, which was on similar terms to the Offer
 - TIX Bidder's Statement has not alleviated these concerns in relation to the Offer
 - the evaluation of the Offer is further aided by ANI's FY16 distributable earnings and distribution guidance (detailed on the following page)
- IBC concerns in relation to the Offer include the following adverse financial outcomes for ANI unitholders, which are detailed in this presentation:
 - lower forecast distributable earnings per unit¹
 - lower forecast distributions per unit¹
 - lower net tangible assets per unit²
 - a significantly higher level of gearing²
 - lack of a compelling or certain premium in the value of TIX scrip offered
- The IBC is continuing to review the Offer and will provide a formal recommendation to ANI unitholders in the Target's Statement, which will include an Independent Expert's Report
 - **ANI unitholders are advised to take no action until receipt of the Target's Statement**
 - ANI expects to release the Target's Statement to the ASX in late February 2015 and dispatch by 4 March 2015

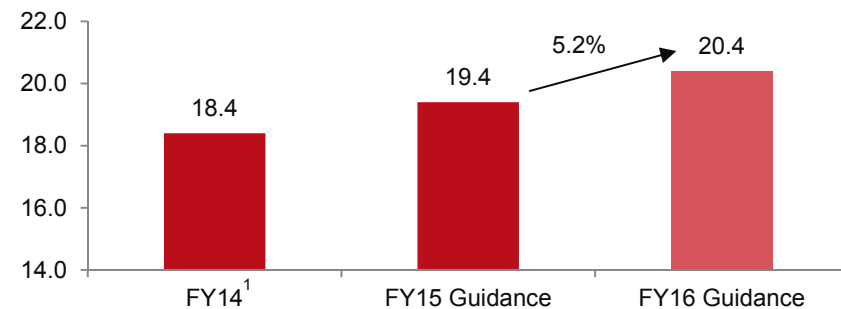


ANI FY16 earnings and distribution guidance

Guidance reflects quality of the portfolio and stable income profile

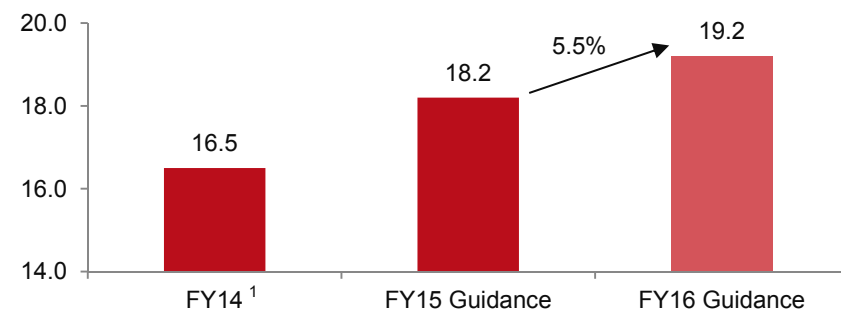
- Distributable earnings guidance for the year ending 30 June 2016 is approximately 20.4 cents per unit
 - represents a 5.2% increase on distributable earnings per unit guidance for the year ending 30 June 2015

ANI distributable earnings (cents per unit)



- Distribution guidance for the year ending 30 June 2016 is 19.2 cents per unit
 - represents a 5.5% increase on distribution per unit guidance for the year ending 30 June 2015

ANI distributions (cents per unit)



Notes:

- 1 ANI listed on the ASX and commenced trading on 21 October 2013. The FY14 figures shown above have been annualised for comparative purposes
- 2 Guidance assumes rental income on a property by property basis in accordance with existing leases, all leases are enforceable and performed in accordance with their terms, outgoings have been forecast on a property by property basis, interest costs take into account the terms of the debt facility and swap restructure announced on 28 January 2015 and no unforeseen material change in existing economic conditions



Offer structure

ANI unitholders should be mindful of several features of the Offer

- The Bidder's Statement sets out several features of the Offer that the IBC believes ANI unitholders should be mindful of:
 - **no minimum acceptance condition**
 - **replacement of responsible entity**
 - the Bidder's Statement sets out the intention of TIX to seek to replace the responsible entity of ANI with a 360 Capital Group entity
 - **unsatisfactory governance**
 - the responsible entity of TIX does not have any directors who are independent of the separate ASX-listed 360 Capital Group
 - no articulated mechanism for dealing with conflicts between ANI and TIX in the situation where ANI and TIX each remain listed and a 360 Capital Group entity becomes the responsible entity of both ANI and TIX

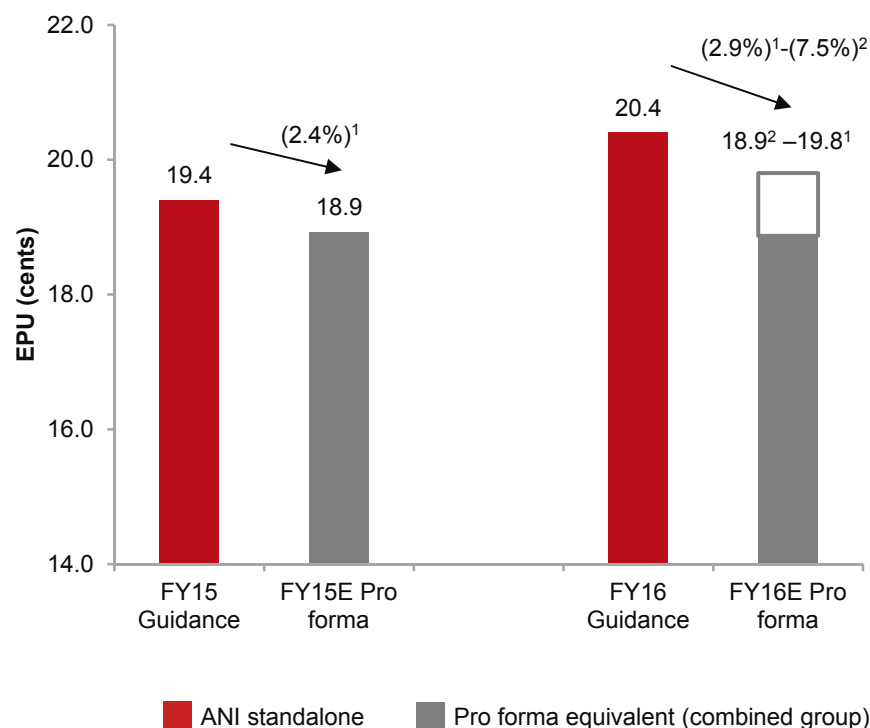


Financial impact of TIX Offer

On an equivalent basis, ANI unitholders will suffer EPU dilution

- FY15 distributable earnings per unit (EPU) dilution
 - 2.4% assuming TIX achieve 100% ownership of ANI and full year impact¹
- FY16 EPU dilution
 - 2.9%-7.5% assuming TIX achieve 100% ownership of ANI and full year impact^{1,2}
- The EPU dilution experienced by ANI unitholders in FY16 will depend on the timing and execution of asset sales that TIX has stated it intends to make
 - upper end of range (2.9% dilution) reflects no asset sales¹
 - lower end of range (7.5% dilution) reflects full year impact of asset sales²

ANI equivalent EPU impact (cents per unit) based on TIX acquiring 100% of ANI and full year impact^{1,2}



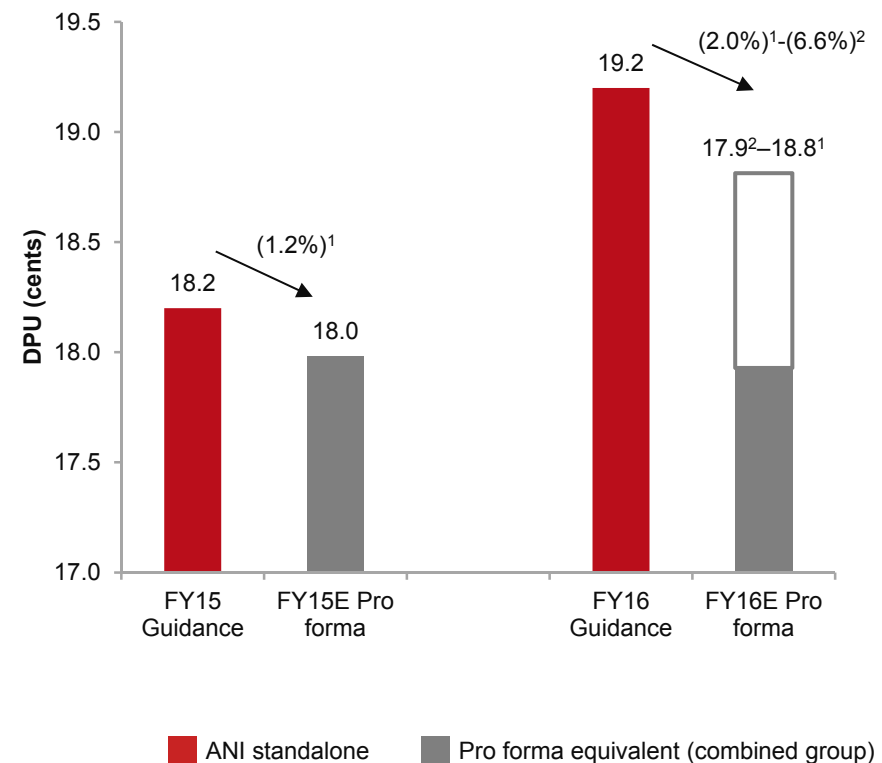


Financial impact of TIX Offer (continued)

On an equivalent basis, ANI unitholders will suffer DPU dilution

- FY15 distribution per unit (DPU) dilution
 - 1.2% assuming TIX achieve 100% ownership of ANI and full year impact¹
- FY16 DPU dilution
 - 2.0%-6.6% assuming TIX achieve 100% ownership of ANI and full year impact^{1,2}
- The DPU dilution experienced by ANI unitholders in FY16 will depend on the timing and execution of asset sales that TIX has stated it intends to make
 - upper and lower end of range reflects same timing assumptions as EPU impact on previous slide
- Extent of DPU dilution partially offset due to increased payout ratio
 - TIX assumes a 95% payout ratio for the combined group (vs. ANI's current payout ratio of 94%)

ANI equivalent DPU impact (cents per unit) based on TIX acquiring 100% of ANI and full year impact^{1,2}



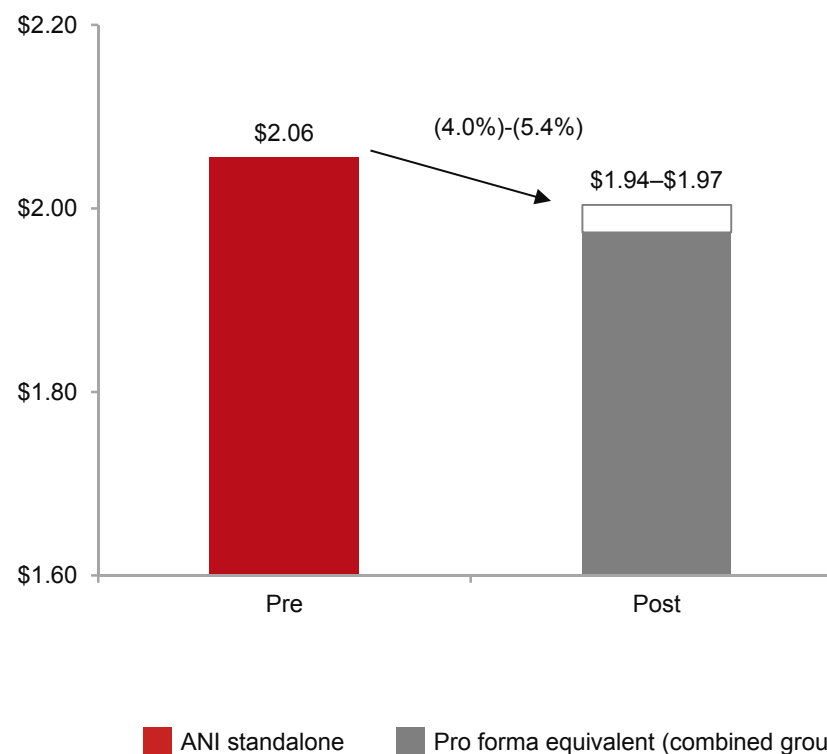


Financial impact of TIX Offer (continued)

Net tangible asset per unit dilution for ANI unitholders

- ANI unitholders are expected to suffer a 4.0% - 5.4% reduction in net tangible assets (NTA) per unit
 - NTA per unit reduced to \$1.94 - \$1.97 from \$2.06 for ANI unitholders on an equivalent basis as at 31 December 2014^{1,2}
- NTA dilution assumes TIX is able to realise book value as at 31 December 2014 for its proposed asset sales
- The NTA dilution experienced by ANI unitholders in TIX has been considered in conjunction with the Conditional Cash Payment
 - upper end of the range (4.0% dilution) includes the full amount of the Conditional Cash Payment before tax
 - lower end of the range (5.4% dilution) excludes the Conditional Cash Payment

Equivalent NTA per unit impact for ANI unitholders based on TIX acquiring 100% of ANI^{1,2}



Notes:

- 1 NTA as at 31 December 2014 adjusted for termination of derivative financial instruments, December 2014 DRP and acquisition of Boondall property for TIX and termination of derivative financial instruments for ANI
- 2 Assumes TIX transaction costs of \$7.1 million and ANI transaction costs of \$4.4 million

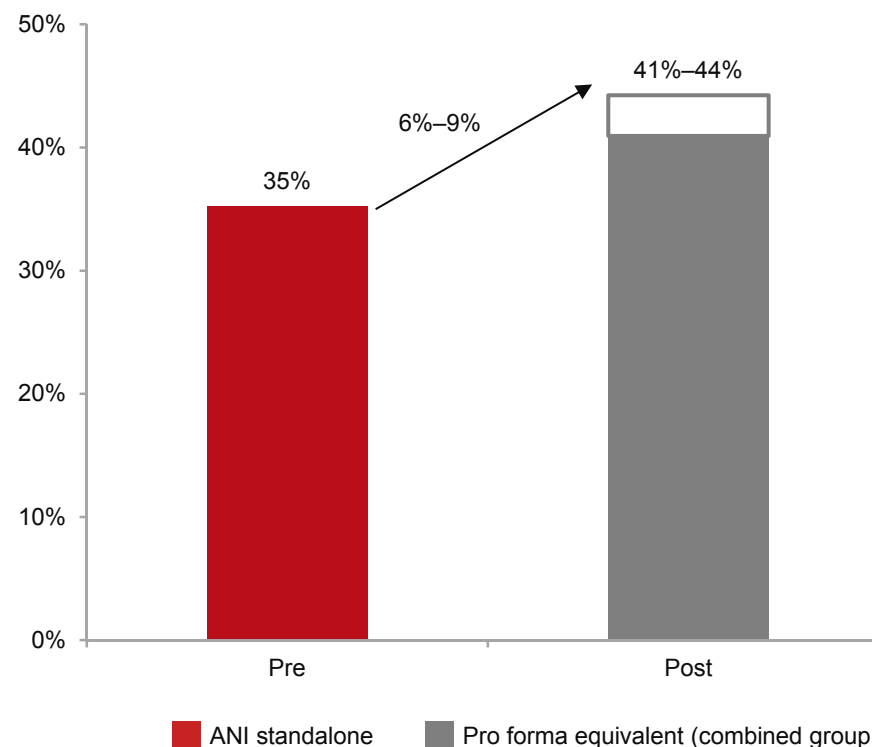


Financial impact of TIX Offer (continued)

The combined group will have significantly higher gearing than ANI

- ANI unitholders will be exposed to an entity with significantly higher gearing
 - combined group will have pro forma gearing of 41% - 44%^{1,2,3}
- Gearing of combined group to be within TIX's stated target gearing range of 35%-50% but higher than:
 - ANI's stated target gearing range of 25-40%
 - ANI's gearing level as at 31 December 2014 of 35%¹
- Actual balance sheet gearing will depend on the extent of ANI asset sales that TIX has stated that it intends to make

Gearing impact for ANI unitholders based on TIX acquiring 100% of ANI^{1,2,3}



Notes:

- 1 Gearing as at 31 December 2014 adjusted for termination of derivative financial instruments, December 2014 DRP and acquisition of Boondall property for TIX and termination of derivative financial instruments for ANI
- 2 Assumes TIX transaction costs of \$7.1 million and ANI transaction costs of \$4.4 million. Asset sale scenario assumes assets are sold on 1 July 2015 at 31 December 2014 book value of \$47.3 million
- 3 Gearing as per TIX definition of gearing: interest bearing liabilities (excluding capitalised borrowing costs) less cash divided by total tangible assets (excluding goodwill) less cash



Implied TIX Offer value

The value of the TIX Offer is uncertain, and at this time, offers a small premium to ANI unitholders

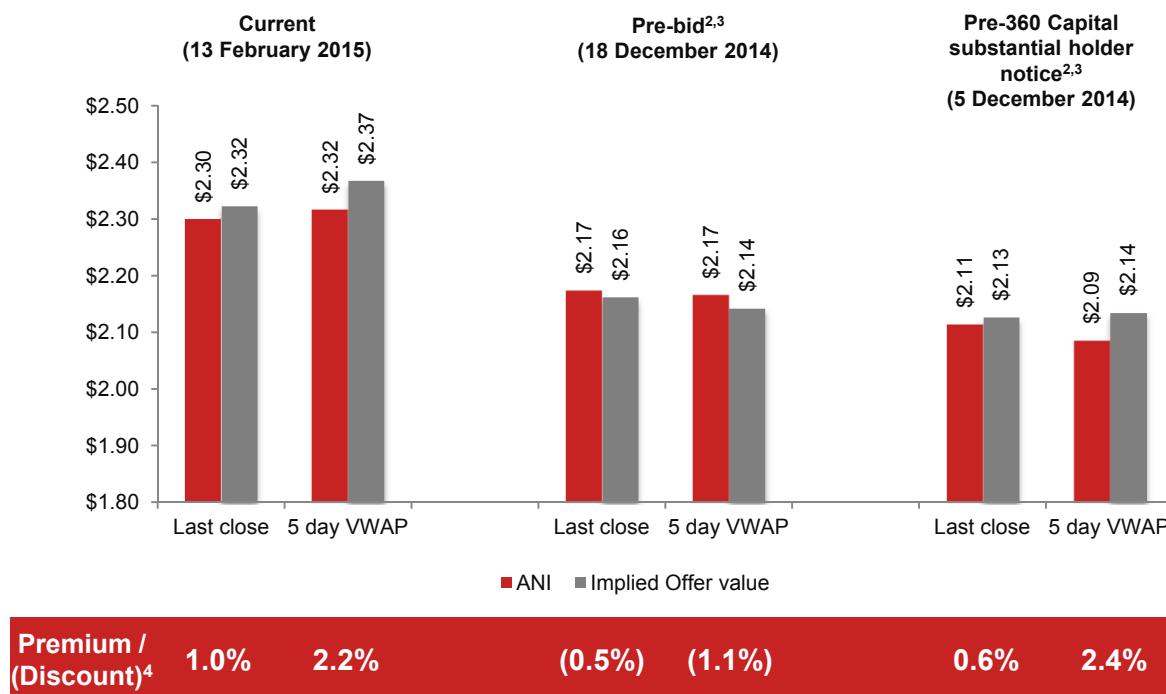
- TIX's Bidder Statement presented an implied Offer value on its all time high close price
- However, the Offer value is largely dependent on the value of TIX units which will vary over time
 - TIX is currently trading near all time high levels, reflecting a c.19% premium to NTA¹
 - Conditional Cash Payment of \$0.03 per ANI unit is uncertain and may not be received by ANI unitholders
- Offer value based on TIX's all time high close price overstates the premium being paid relative to ANI prices prior to the bid
- Based on the TIX 5-day volume weighted average price ('VWAP') to 13 February 2015, **the implied value of the Offer is \$2.37²**
- **The ANI 5 day VWAP to 13 February 2015 is \$2.32**
- **Implied Offer value based on these VWAPs represents a 2.2% premium**
- The ability for ANI unitholders to realise the implied Offer value is not certain given the relatively low liquidity of TIX Units (see slide 12)



Insufficient Offer premium

TIX Offer does not provide a compelling or certain premium for ANI unitholders

- The Offer value based on TIX's recent trading prices relative to ANI prices prior to the bid overstates the premium being paid
- Comparisons based on TIX and ANI trading prices over equivalent time periods account for:
 - 12.9% A-REIT market rally since December 2014¹
 - 5.8% upgrade in FY15 DPU guidance by ANI on 28 January 2015
- The Offer provides only a small premium (or discount) to the ANI trading price when compared on a like for like basis at different points in time



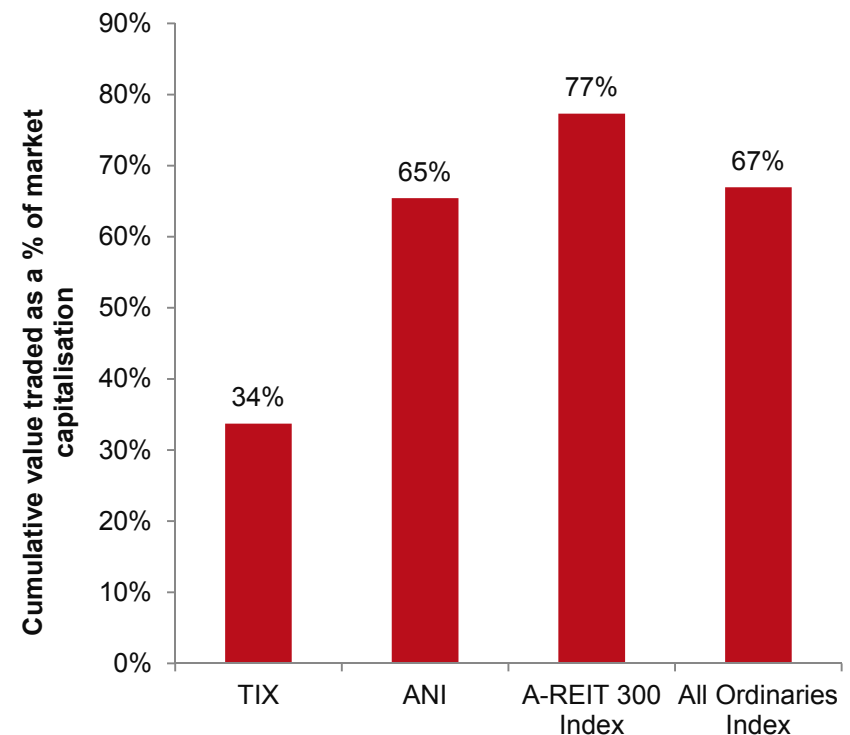


Trading liquidity of TIX

Small Offer premium may not be realised by ANI unitholders

- TIX has significantly lower levels of trading liquidity than ANI, the A-REIT 300 Index and the All Ordinaries Index over the last 12 months on both an absolute and relative basis
- Relatively low levels of trading liquidity in TIX may exacerbate price movements in TIX units and the value of the Offer consideration received (100% scrip¹)
- Given the relatively low liquidity of TIX, ANI unitholders who wish to sell TIX units received as consideration may not be able to realise a premium

Trading liquidity – 12 months to 13 February 2015





Conclusion

IBC is continuing to assess the TIX Offer

- ANI unitholders are expected to receive TIX Bidder's Statement this week
- IBC has significant concerns in relation to the Offer
 - assessment is ongoing and will be set out in the Target's Statement which is expected to be released to the ASX in late February 2015 and dispatched by 4 March 2015
 - report from an Independent Expert will be contained in the Target's Statement
- **The IBC advises you to take no action in relation to the TIX Offer or the Bidder's Statement until receipt of ANI's Target's Statement**



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Disclaimer

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Certain financial information in this presentation is prepared on a different basis to the 31 December 2014 Interim Financial Report, which was prepared in accordance with Australian Accounting Standards.