

ASX Release

28 May 2015

Operational update and extension of 360 Capital Industrial Fund offer

Operational update

Fife Capital Funds Limited ("**Fife Funds**"), the responsible entity of the Australian Industrial REIT ("**ANI**" or the "**Fund**") has continued to make progress on addressing near term lease expiries through the active management of ANI's portfolio. Fife Funds is pleased to announce that it has secured an indicative non-binding heads of agreement for a new long term lease over part of the Fund's property at Dandenong South, Melbourne.

The Board of Fife Funds will continue to implement its strategy for ANI, focused on sustainable long-term value creation and earnings growth for ANI unitholders.

Extension of 360 Capital Industrial Fund offer

Fife Funds also notes the announcement made by 360 Capital Investment Management Limited ("**360 Capital**") as responsible entity of 360 Capital Industrial Fund ("**TIX**") that the unsolicited off-market takeover offer announced on 19 December 2014 and updated on 24 March 2015 ("**Offer**") has been extended by one week to 5.00pm (AEST) on 3 June 2015 (unless otherwise extended or withdrawn).

The Independent Board Committee ("IBC") of Fife Funds continues to recommend that ANI unitholders REJECT the Offer. The Independent Expert, KPMG Corporate Finance, has concluded that the TIX Offer is neither fair nor reasonable.

Fife Funds notes that the Offer has not changed and the reasons to reject the Offer previously raised by the IBC remain valid:

- **No certain or compelling premium**
 - the value of the Offer is uncertain due to the high scrip component, and there is no guarantee that the Conditional Cash Payment of \$0.10 per ANI unit will ever be paid
 - the Offer represents a discount of (3.9)%¹ (excluding the uncertain Conditional Cash Payment) or a slight premium of 0.4%¹ (including the Conditional Cash Payment) compared to the ANI 5-day VWAP on 27 May 2015
- **Unsatisfactory financial outcomes**
 - unitholders may suffer lower distributable earnings, distributions and net tangible assets per equivalent ANI unit
 - elevated payout ratio may affect future distribution per unit growth prospects
 - higher level of gearing that is above ANI's target range
- **Change in the risk profile on a change in management and unsatisfactory governance arrangements**
 - different strategy and loss of access to Fife Capital Group's development and acquisition pipeline
 - failure to adequately address previously raised conflict of interest concerns

¹ Based on the TIX 5 day VWAP on 27 May 2015 of \$2.50. Excludes TIX cash payment of 4.5 cents per ANI unit paid in lieu of the TIX March 2015 quarterly distribution given that it, together with the expected TIX June 2015 quarterly distribution of 4.6 cents per unit (ANI equivalent), only partially offsets the expected ANI June 2015 half yearly distribution of 9.6 cents per ANI unit forgone by ANI unitholders under the Offer.

ANI unitholders should also be aware that the Conditional Cash Payment of \$0.10 per ANI unit under the Offer is payable only if TIX receives more than 50% acceptances or if a member of the 360 Capital Group is appointed as the responsible entity of ANI before the Offer closes. Neither of these conditions has been satisfied.

On 26 May 2015, TIX announced that it held a relevant interest of 30.33% in ANI. Further, the meeting of ANI unitholders on 25 May 2015 firmly rejected 360 Capital's proposal to remove Fife Funds as the responsible entity of ANI and appoint 360 Capital ANI Management Limited as the new responsible entity of ANI. Excluding units voted by 360 Capital, 98% of ANI units voted on the proposal supported Fife Funds being retained as responsible entity of ANI. Unitholders holding over 75% of ANI units voted on the proposal.

– ENDS –

For further information please contact:

Rod Pearce

Independent Chairman
Fife Capital Funds Limited

Telephone: +61 2 9251 2777
Website: www.aireit.com.au

Keir Barnes

Chief Financial Officer & Company Secretary
Fife Capital Funds Limited

Telephone: +61 2 9251 2777
Website: www.aireit.com.au

About the Australian Industrial REIT (ASX: ANI)

ANI is an Australian real estate investment trust that offers investors exposure to a quality portfolio of industrial properties. ANI owns 16 properties which are independently valued at approximately \$320.5 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