

# 360 Capital

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## TOTAL RETURN FUND



## 2015 ANNUAL RESULTS PRESENTATION

ASX: TOT

26 AUGUST 2015

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## WHAT WAS BEHIND THE FUND'S FORMATION?

- 360 Capital decided to form TOT as a result of demand from existing 360 Capital platform investors seeking a higher risk/reward investment proposition managed by 360 Capital
- 360 Capital's other managed funds are very risk adverse, "rent collecting", predictable cashflows, lower capital growth funds (i.e. income funds)
- TOT provides investors with an "opportunistic" real estate focus with a wide mandate whereby 360 Capital management team can use its varied expertise to generate high total returns
- 360 Capital elected to create the Fund in the listed domain as the investor demand was predominately from managers with listed fund mandates.
  - Listing provides greater flexibility and a point of difference to other "unlisted opportunistic style real estate funds" which typically are targeted to wholesale investors only
- The Fund's capital raising at listing was limited to \$40.0m due to ASX "cashbox" rules
- As part of the capital raising and IPO the CVC Property Fund was "merged" into the Fund

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## At a glance

**\$26.0m**

Direct assets

**\$11.2m**

Fund investment

**\$12.0m**

of cash as at 30  
June 2015

PROPERTIES  
UNDER  
UNCONDITIONAL  
CONTRACT FOR  
SALE

**9.61%<sup>1</sup>**

FY16 forecast  
distribution yield  
on 30 June 15  
closing price

**2.81cpu**

Income distribution  
Q4 FY15 &  
special distribution  
post period

**+\$26.0m**

of additional cash  
at 30 September  
2015

LOW ASSET BASE  
TO CAPITALISE ON  
OPPORTUNITIES

### Notes

1. Subject to completing investment currently under due diligence

## TOT



- Unique, ASX listed, opportunistic fund investing in Australian real estate

## OBJECTIVES



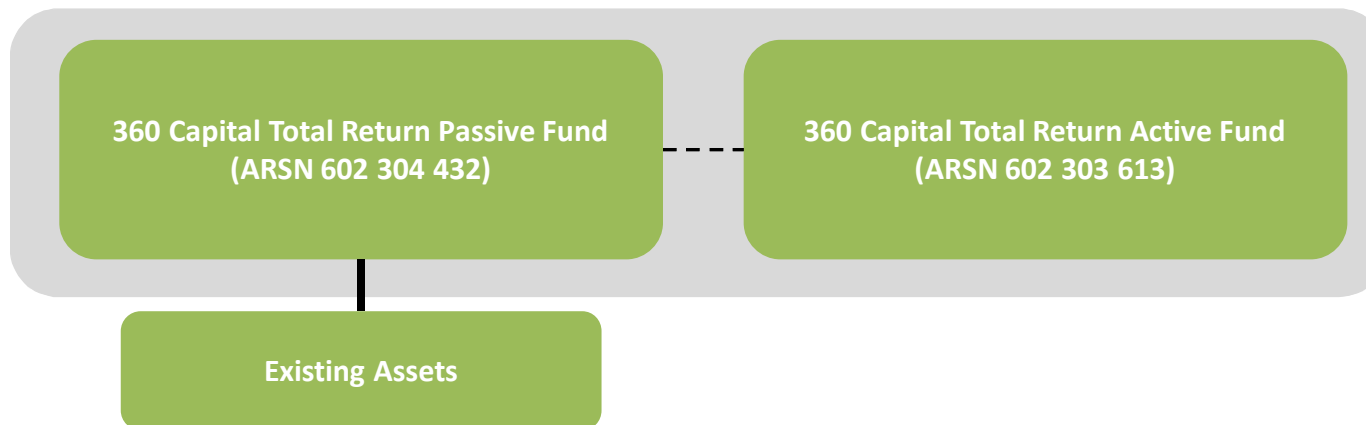
- Deliver 12+% total return p.a. at the investment level via disciplined investment in a broad range of real estate opportunities

## STRATEGY



- Capitalise on investments such as:
  - asset repositioning (releasing & refurbishment)
  - investment properties that generate rental income
  - underwriting potential capital raisings (listed & unlisted)
  - strategic positions in unlisted funds
  - mispriced trading opportunities within AREIT sector
  - M&A and special situation opportunities
- Highly flexible and opportunistic pursuit of compelling transactions
- No speculative development, no overseas investments, no residential equity investments
- Leverage relationship with and expertise of 360 Capital Group
- 360 Capital to grow current 10.1% holding
- High conviction and absolute return focused

- TOT stapled entity comprises the 360 Capital Total Return Passive Fund (“TRPF”) and the 360 Capital Total Return Active Fund (“TRAF”)



Investment universe	Debt	Equity	Direct Property
	Senior Debt	ASX Listed	Passive Assets
	Mezzanine Debt	Unlisted Funds	Repositioning via leasing
	Bridging Finance	Underwriting Activities	Reposition via refurbishment
	Secondary Trading	Mergers and Acquisitions	Rezoning

## Since April 2015

- Successful IPO and listing on ASX (code: TOT) after raising \$40.0m in new equity
- Negotiated unconditional contract for sale over the two Frenchs Forest properties as outlined in PDS
- Strategic investment in a fund with expectations of >12% of returns over short to medium term
- Identified & completing due diligence on \$34.9 m mezzanine loan in partnership with institutional investor
  - Delay in transaction completing due to senior refinancing delay
  - The Fund proposes to commit \$19.9 m of the total cash requirement.
- Fund in strong cash position - \$12.0m in cash (June 15), \$26m from asset sales and debt free at present

- Net rental income derived from full year income from direct assets at Frenchs Forest
  - unconditionally exchanged post period
- Distribution income from fund investment being six months distribution to 30 June 2015
- Revaluation loss represents write-down in Frenchs Forest assets to \$26.0m prior to IPO
- IPO and other costs \$1.7m
- Operating EPS inflated due to smaller weighted number of securities on issue and benefit of full year's income from direct assets prior to IPO
- Distributions of 2.81cps in line with 9.0% distribution return for 3 months ending 30 June 2015 as per PDS
- Post period the Fund will make a 1.2 cps special distribution as FY15 Fund taxable income was greater than distributions paid

OPERATING PROFIT	FY15 (\$'000)
Net property income	3,390
Distribution income	476
Finance & other revenue	64
<b>Total revenue</b>	<b>3,930</b>
Operating expenses	(457)
<b>Operating EBIT</b>	<b>3,473</b>
Net interest expense	(783)
<b>Operating profit</b>	<b>2,690</b>
Revaluation loss and IPO costs	(4,157)
<b>Statutory profit/(loss)</b>	<b>(1,467)</b>
<b>Weighted securities on issue</b>	<b>13.9m</b>
<b>Operating EPS</b>	<b>19.4cps</b>
<b>DPS (one quarter)</b>	<b>2.81cps</b>
<b>Special distribution (post period)</b>	<b>1.20 cps</b>



## Balance sheet composition

BALANCE SHEET	30 June 2015 (\$'000)
Cash	12,024
Investment properties	26,000
Fund investment	11,227
Other assets	621
<b>Total assets</b>	<b>49,872</b>
Bank borrowings	-
Payables	413
Distribution payable	1,115
<b>Total liabilities</b>	<b>1,528</b>
<b>Net assets</b>	<b>48,344</b>
<b>Stapled securities on issue</b>	<b>39.7m</b>
<b>NTA per Stapled Security</b>	<b>\$1.22</b>
<b>Gearing</b>	<b>-</b>

- Bank borrowings fully repaid from IPO proceeds
- Balance of IPO proceeds of \$12.0m remain in cash and strategic investment in another fund

### POST PERIOD

- Investment properties unconditionally exchanged for \$26.0m with settlement 30 September 2015
- Fund set to invest up to \$19.9m in partnership in a mezzanine loan earning 15% p.a. for a term of 2 years
- Funded from current cash and Frenchs Forrest settlement

- As at 30 June 2015, the Fund has \$12.0m in cash as working capital and is debt free
- Fund will receive \$26.0m back on 30 September 2015 from settlement of Fund's direct assets
- Upon completion of due diligence, the Fund will commit \$19.9m of the total circa \$34.9 m with the balance in partnership with an institutional investor
- Fund is investigating other opportunities for deployment of the Fund's remaining cash
- If the Fund continues to trade below its NTA, the Fund may consider other capital management initiatives

## EQUITY RAISING

SOURCE	ISSUE PRICE	\$m
APRIL IPO:	\$1.25	40.0

APPLICATION	\$m
IPO and other costs	1.7
Fund investment	11.2
Repay existing debt	14.6
Working capital (including receivables)	12.5
<b>Total</b>	<b>40.0</b>

**DIRECT INVESTMENT PORTFOLIO**

- Fund's direct portfolio conditionally contracted at time of IPO (subject to rezoning & considered to be relatively high risk)
- Post IPO and 360 Capital being appointed responsible entity of the Fund, 360 Capital negotiated with purchaser to remove conditionality to contract of sale
- Post period exchanged contracts for \$26.0m (plus adjustments) with settlement scheduled for 30 September 2015
- A class Unitholders will receive payment for adjustments over \$26.0m shortly after settlement as per IPO PDS conditions with A class units redeemed thereafter to simplify Fund capital structure
- Net proceeds from sales will be used for the mezzanine investment and future reinvestment in line with Fund's investment strategy

**8 RODBOROUGH RD FRENCHS FOREST**


Major Tenancies	NLA (sqm)	Lease expiry
Ricoh	8,065	30 Sep 2015

**357-373 WARRINGAH RD FRENCHS FOREST**


Major Tenancies	NLA (sqm)	Lease expiry
Infomedia	3,461	28 Feb 2017
Australia Post	5,412	28 Feb 2017



## Investment portfolio (cont.)

### STRATEGIC STAKE IN FUND

- Part of the Fund's investment strategy is to invest opportunistically in other funds
- Fund has invested \$11.2m in a fund with a portfolio of \$400.0m of commercial property assets
- Fund forecast to receive a cash distribution of circa 8.1-8.5% p.a.,
  - plus expected capital appreciation from underlying assets & improved occupancy

### MEZZANINE INVESTMENT LOAN

- Post period end, the Fund has executed a term sheet for a mezzanine loan on a portfolio of Australian Retail properties comprising three existing shopping centres secured by a combination of Woolworths, Coles, and numerous national tenants currently valued at circa \$174.0 million
- The Fund is to provide the loan in partnership with an Australian institutional investor with the overall loan of circa \$34.9 million excluding capitalised interest and fees
- Fund currently completing due diligence
- Borrower currently going through senior debt refinancing
- The interest rate to be 15.0% p.a. for a term of two years plus establishment fees and 6 month minimum investment period
- The Fund's total cash commitment will be \$19.9 million with the balance to be provided by an institutional partner

## DIRECT MARKET

- Passive assets with long leases firmly priced with fundamentals in some markets being mispriced
- Assets with value-add potential also generally mispriced but potential to take advantage of special situations
- Fund likely to partner in value-add direct market opportunities, structured as debt with equity carry
- Many rezoning opportunities to add significant value in current market
  - but also aware of position in current property cycle

## EQUITY

- Small cap AREIT market potentially miss-priced compared to direct real estate markets
- Fund to pursue trading opportunities, short term investment in discounted placements & underwriting
- Unlisted market underwriting opportunities available but exit strategy questionable
- Further consolidation expected in sector provides opportunity to capitalise on this theme

## DEBT

- Signs of banks starting to tighten lending conditions in certain markets
- Opportunity to participate in mezzanine financing growing, however, most are non-favoured residential development
- Fund focused on cash generating financing activities (i.e. stretched senior debt, mezzanine debt over investment assets, pre-committed commercial investment assets)
- Debt terms typically 1-2 years with upfront fees and potential other benefits Fund can capitalise on

- Recycle proceeds from direct asset sales and redeploy capital inline with Fund's investment strategy and 12%+ total return hurdle
- Focus on increasing capital and asset base of the Fund now it's listed
- Remain disciplined in implementing investment strategy
- Increase Fund awareness in marketplace (transactional and investor)
- Leverage 360 Capital Group support
  - 360 Capital Group is frequently presented with investment opportunities that
    - are too small for larger AREITs
    - do not fall into the investment mandates of either the Group or its existing managed funds
- Maintain effective capital management
- Subject to completing investments currently under due diligence, the Fund is expected to generate:
  - FY16 forecast income EPS of ~12.5 cps equates to 11.9%<sup>1</sup> earnings yield
  - FY16 forecast income DPS of 11.2 cps equates to distribution yield of 10.70%<sup>1</sup>
- Fund on track to produce total returns >12% in FY16

FY16 income  
earnings  
**~12.5cps**

FY16 distribution  
**11.2cps**  
(paid quarterly)

Notes

1. Based on TOT closing price of \$1.05 per security as at 25 August 2015



QUESTIONS?



APPENDICES





**KEVIN LOW, FUND MANAGER – TOT**

Kevin is the Fund Manager for 360 Capital Total Return Fund. He has 10 years' experience in property investment, development, advisory work and research. Prior to joining 360 Capital, he worked as the Senior Trust Analyst for Mirvac Property Trust and was responsible for all valuations, forecasting and modelling for the \$5.8bn trust post the acquisition of Mirvac Real Estate Investment Trust and Westpac Office Trust in 2010.

Kevin has also held the roles of development analyst at Mirvac Group with responsibility for modelling the \$1 billion pipeline of commercial development, Senior Analyst at BDO Property Transaction Services and Senior Research Analyst at the Property Council of Australia.



**TONY PITT, MANAGING DIRECTOR - 360 CAPITAL GROUP**

A 360 Capital founding Director, Tony has worked in the real estate and real estate funds management industries for over 18 years. As Managing Director, Tony has been responsible for repositioning the 360 Capital Group since December 2010 through the disposal of in excess of \$340.0 million in underlying fund and trust assets and the refinancing of approximately \$500.0 million in debt. Tony was formerly the director of JF Meridian Trust (JFM), an ASX-listed diversified trust and was responsible for growing JFM from \$530.0 million to \$1.1 billion in assets over a three year period. Tony was previously an executive director of James Fielding Funds Management Limited, JF Meridian Management Limited, Hotel Capital Partners Limited, Bankminster Properties Limited and Travelodge Hotel Group.



**BEN JAMES, CHIEF INVESTMENT OFFICER – 360 CAPITAL GROUP**

Ben is responsible for all property investment activities within 360 Capital. Ben has over 20 years' experience in real estate funds management. Prior to joining 360 Capital in 2010, Ben was the Trust Manager of Mirvac Property Trust, the \$4.5 billion investment vehicle of Mirvac Group. Prior to his 12 years at Mirvac, Ben held positions in property management and investment sales with Colliers International.



**GLENN BUTTERWORTH, CHIEF FINANCIAL OFFICER – 360 CAPITAL GROUP**

Glenn is responsible for all 360 Capital's financial management activities. Prior to joining 360 Capital, Glenn spent 11 years at Mirvac, most recently as Financial Controller of the Investment Division. Glenn was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management skills, gained from over 20 years' industry experience. Prior to Mirvac, Glenn held a number of senior finance roles including Financial Controller at McGrath Estate Agents. Glenn is a chartered accountant and commenced his career at Deloitte.



**ALAN SUTTON, COMPANY SECRETARY – 360 CAPITAL GROUP**

Alan is an accountant with more than 30 years in financial control and company secretarial practice, the last 12 years in property funds management. Prior to joining the 360 Capital Property Group, Alan was the Company Secretary for the Lachlan Property Group including Lachlan REIT Limited. He was Paladin Australia's Financial Controller – Corporate before its merger with Deutsche Asset Management in July 2000.

At Deutsche, he was responsible for all accounting and financial aspects of the Asset Management Property Group, as well as reorganising the property trust accounting team to take on the operations of Deutsche's various property trusts and mandates. Alan is responsible for the Group's corporate financial reporting and all company secretarial matters. Alan is a FCPA, AGIA, FFin and a registered tax agent.



**TIM SPENCER, HEAD OF INVESTOR RELATIONS – 360 CAPITAL GROUP**

Tim joined 360 Capital in April 2011 and is responsible for all aspects of marketing and communication programs with key external stakeholders of the Group and 360 Capital funds including institutional investors, analysts and media. Tim's role also encompasses investment product and market development initiatives.

Previously Tim was Investor Relations Manager for the then ASX-listed ING Industrial Fund and the ING Office Fund at ING Real Estate Investment Management Australia (REIMA). Prior to ING REIMA, Tim was Head of Listed Securities at Brookfield Multiplex Capital and Fund Manager of the ASX-listed Multiplex Acumen Property Fund.

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