

360 Capital

OFFICE FUND



2016 HALF YEAR RESULTS PRESENTATION ASX: TOF

18 FEBRUARY 2016

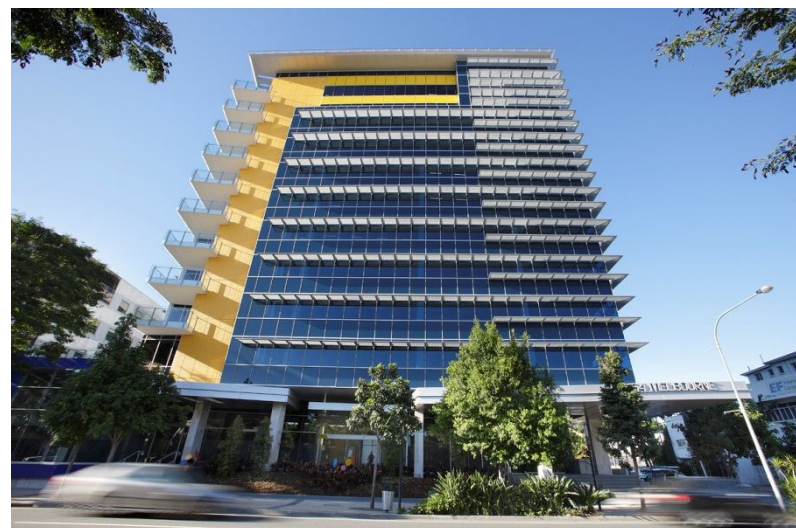
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2016 HALF YEAR RESULTS PRESENTATION

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At a glance

\$196.1m
PORTFOLIO VALUE

5.1 year
WALE

98.7%
OCCUPANCY

3
ASSETS





9.9 cpu
HY16
OPERATING
EARNINGS

8.5 cpu
HY16
DISTRIBUTIONS

18.3%
GEARING

~70%
FORECAST FY16
TAX DEFERRED

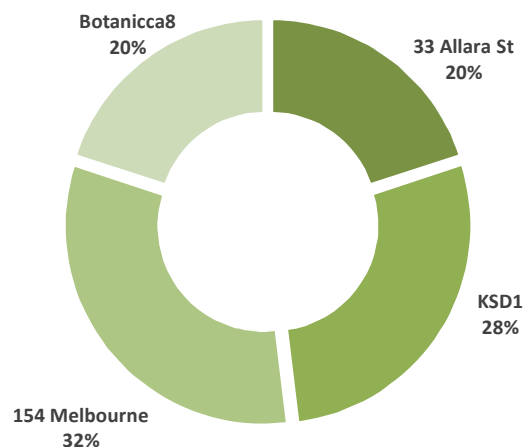
TOF continues its focus on creating Unitholder value and sustainable EPU and DPU growth

| | | ACHIEVEMENT |
|----------------------|---|---|
| Portfolio management |  | <ul style="list-style-type: none"> • 9,500 sqm of the portfolio leased or extended • Increased WALE from 4.6 to 5.1 years; maintained strong occupancy of 98.7% • WACR firmed 40bp to 7.4% as a result of Allara St disposal • Focus on leasing remaining vacancy and forward leasing FY17 expiry |
| Asset recycling |  | <ul style="list-style-type: none"> • Disposal of Allara St for \$29.0m • Removes major capex and leasing exposure of the Fund • Progressing offer on accretive transaction (111 St George's Terrace) |
| Capital management |  | <ul style="list-style-type: none"> • Conservative balance sheet with significant headroom in banking covenants • Weighted average hedge term 4.1 years; weighted average hedge cost 2.64% • Reduced gearing to 18.3%; \$40.3m of available debt capacity • Focus on closing the gap between trading price and NTA |
| Unitholder returns |  | <ul style="list-style-type: none"> • Total Unitholder return of 22.2% since listing • Distribution yield of 8.5%; Earnings yield of 9.0%* • Identified EPU and DPU acquisition to redeploy Allara St proceeds • Focused on long-term sustainable EPU and DPU growth, not FUM growth |

Simple fund strategy with a focus on active asset management

* Based on closing price on 17 February 2016 of \$2.00 per unit.

- Operating EPU skewed to first half FY16 due to sale of Allara Street
- Statutory EPU lower than Operating EPU due to
 - loss on sale including transaction costs for Allara St; and
 - Mark to market movement in derivatives
- DPU in line with guidance at 8.5 cpu

OPERATING INCOME COMPOSITION


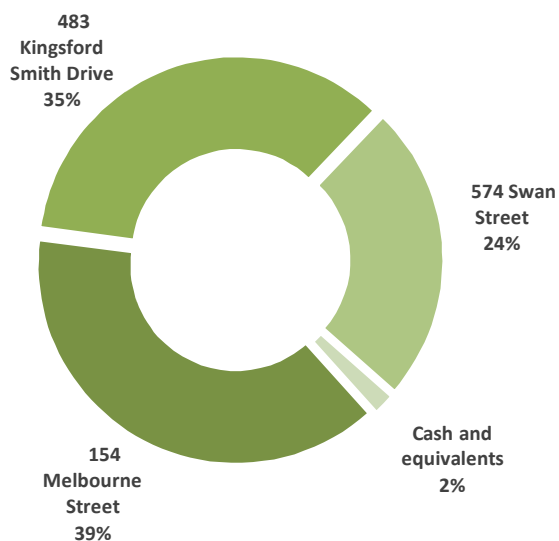
| | 1H16 (\$m) | 1H15 (\$m) | CHANGE |
|---------------------------------------|--------------|--------------|---------|
| OPERATING INCOME | 11,214 | 10,906 | ▲ 2.8% |
| Property expenses | (1,775) | (1,868) | |
| Fund expenses | (907) | (1,003) | |
| Finance costs | (1,294) | (1,294) | |
| OPERATING EARNINGS¹ | 7,238 | 6,741 | ▲ 7.4% |
| Non-cash items | (2,872) | (3,089) | |
| STATUTORY NET PROFIT | 4,366 | 3,652 | ▲ 19.6% |
| Units on issue | 73,280 | 77,694 | ▼ -5.7% |

| | | | |
|--------------------------|------------|------------|---------|
| OPERATING EPU | 9.9 | 8.7 | ▲ 13.8% |
| STATUTORY EPU | 6.0 | 4.7 | ▲ 27.7% |
| DISTRIBUTIONS cpu | 8.5 | 8.5 | ◀▶ |

Notes

1. Operating earnings is statutory net profit adjusted for amortisation of incentives and leasing fees, fair value adjustments on properties and derivatives, loss on sale of properties, amortisation of borrowing costs, straight-lining of lease revenue and the outstanding duty

- Total assets reduced due to the sale of Allara St for \$29.0m
- Liabilities reduced as net proceeds from sale used to repay debt
- **\$40.3m debt capacity** to pursue suitable acquisitions
- NTA down 1.4% due to loss on sale of 33 Allara St, transaction costs related to the sale and movement in derivatives
- Gearing of **18.3%** provides significant headroom and capacity for future acquisitions

ASSET COMPOSITION


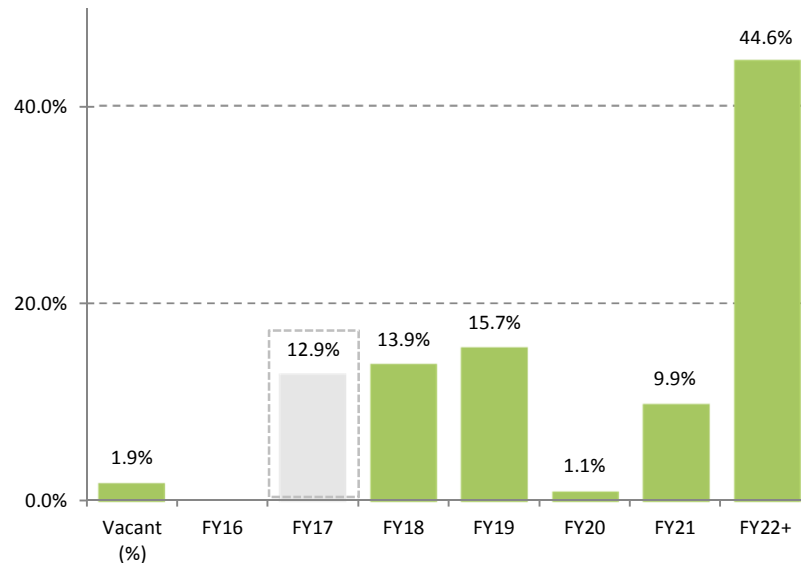
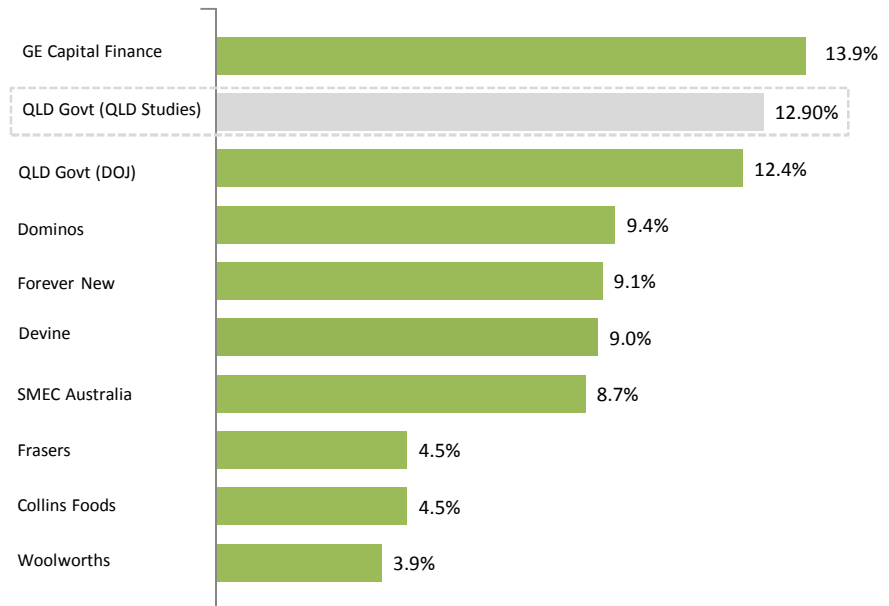
| | 31 DEC 15 (\$m) | 30 JUNE 15 (\$m) | CHANGE |
|----------------------------|--------------------|---------------------|-----------------|
| Cash | 3,645 | 3,421 | |
| Receivables | 497 | 988 | |
| Investment properties | 196,100 | 226,100 | |
| TOTAL ASSETS | 200,242 | 230,509 | ▼ -13.1% |
| Payables | 2,014 | 2,391 | |
| Distributions | 3,114 | 3,114 | |
| Borrowings | 39,307 | 67,983 | ▼ -42.2% |
| Financial instruments | 843 | 195 | |
| TOTAL LIABILITIES | 45,279 | 73,683 | ▼ -38.5% |
| NET ASSETS | 154,963 | 156,826 | ▼ -1.2% |
| Units on issue | 73,280 | 73,280 | |
| NTA PER UNIT | 2.11 | 2.14 | ▼ -1.4% |
| GEARING¹ | 18.3% | 28.7% | ▼ -10.6% |

Notes

1. Gearing is defined as total borrowings less cash divided by total assets less cash

| Apr-2014 | | Jun-2014 | | Dec-2014 | | Oct-2015 | | Apr-2016 | |
|---|-----------|---|-----------|--|-----------|---|-----------|---|--------------------------|
| Portfolio at ASX listing | | Non-core disposal: Burwood | | Core acquisition: Botanicca 8 | | Non-core disposal: Allara St | | Proposed acquisition: 111 St George's Tce | |
|  | |  | |  | |  | |  | |
| Value: | \$235.0 | Sale Price: | \$80.0 | Purchase Price: | \$46.5 | Sale Price: | \$29.0 | Equity Value: | \$30.4m (44.4% share) |
| W.A.C.R | 8.72% | Cap Rate: | 9.25% | Initial Yield: | 7.70% | Cap Rate: | 10.25% | Distribution Yield: | 8.6% |
| WALE: | 4.6 years | WALE: | 2.8 years | WALE: | 7.2 years | WALE: | 1.1 years | WALE: | 4.6 years |
| Occupancy: | 99.6% | Occupancy: | 98.9% | Occupancy: | 100.0% | Occupancy: | 100.0% | Occupancy: | 92.5% |

Total asset disposals achieved a 9.5% premium to IPO book values

LEASE EXPIRY PROFILE¹TOP 10 TENANTS¹

FY2017 - LEASE EXPIRIES

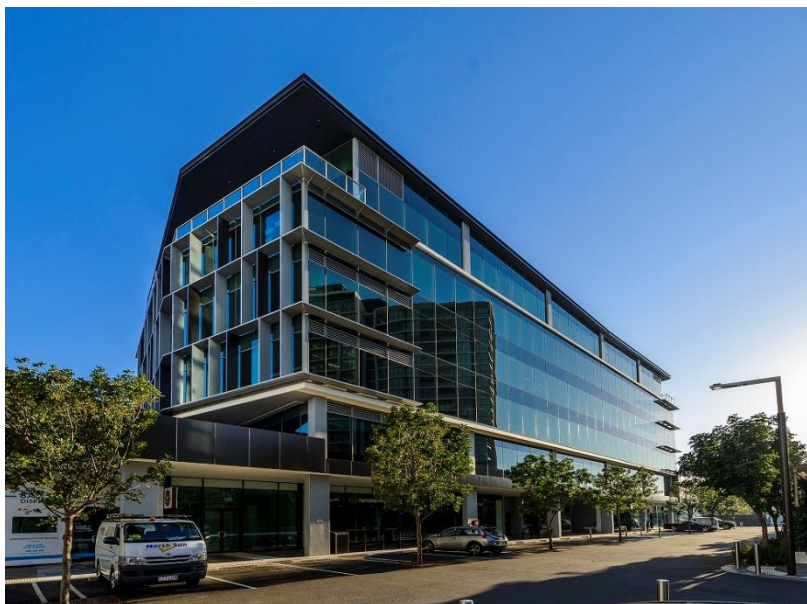
| TENANT | ADDRESS | AREA | INCOME (\$m) | INCOME (%) | EXPIRY |
|-------------------------------------|----------------------|-------|--------------|------------|--------|
| Queensland Government (QLD Studies) | 154 Melbourne Street | 3,700 | 2.1 | 12.9% | Jun 17 |

FY2018 - LEASE EXPIRIES²

| TENANT | ADDRESS | AREA | INCOME (\$m) | INCOME (%) | EXPIRY |
|-------------------|----------------------|-------|--------------|------------|--------|
| Frasers Australia | 154 Melbourne Street | 1,086 | 0.7 | 4.5% | Aug 17 |
| SMEC Australia | 154 Melbourne Street | 2,180 | 1.4 | 8.7% | Oct 17 |

1. Based on gross passing rent (excluding car parking)
 2. Excluding minor retail tenants

- Over-hedging will remain in place as proposed acquisition will be debt funded
- Post proposed acquisition hedging in line with hedging policy of 70% - 100%
- Weighted average hedge term 4.1 years; weighted average hedge cost 2.64%
- Conservative balance sheet with significant headroom in banking covenants and capacity for proposed acquisition
- Investigating alternate debt funding structures with longer tenure



DEBT FACILITIES

| BANK | FACILITY AMOUNT (\$m) | DRAWN (\$m) | EXPIRY |
|--------------|-----------------------|--------------|------------------|
| NAB | 40.0 | 19.85 | Apr-17 |
| Bankwest | 40.0 | 19.85 | Apr-17 |
| Total | 80.0 | 39.70 | 1.3 years |

INTEREST RATE HEDGING

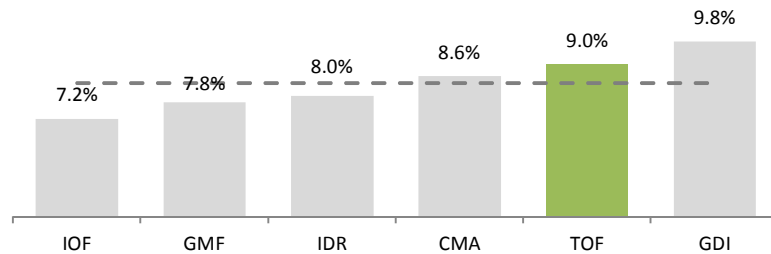
| BANK | AMOUNT (\$m) | RATE (%) | EXPIRY |
|--------------|--------------|--------------|------------------|
| NAB | 35.0 | 2.61% | Jan-20 |
| Bankwest | 35.0 | 2.67% | Jan-20 |
| Total | 70.0 | 2.64% | 4.1 years |

COVENANT SUMMARY

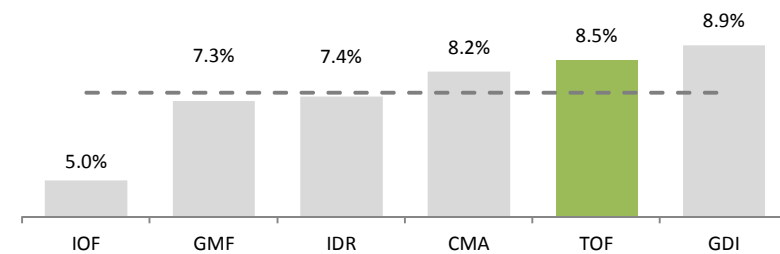
| COVENANT | ACTUAL | LIMIT | HEADROOM |
|-----------------|-----------|-----------|-----------|
| Loan to value: | 20.2% | 50.0% | 29.8% |
| Interest cover: | 6.4 times | 2.0 times | 4.4 times |

FY16 earnings yield¹

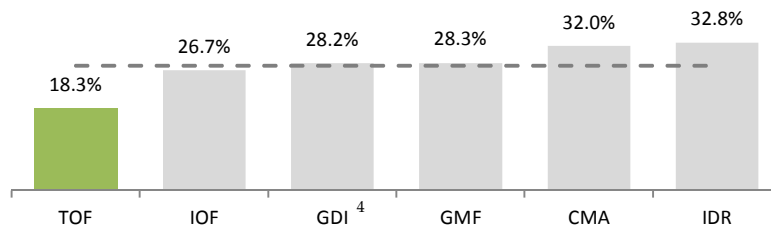
Average 8.4%

FY16 distribution yield¹

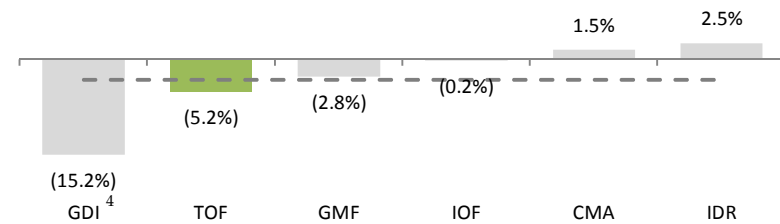
Average 7.6%

Gearing²

Average 27.7%

Premium/(discount) to NTA³

Average -3.2%



Sources: Moelis research, Capital IQ, Thomson consensus estimates and company reports

CMA: Centuria Metropolitan REIT, GMF: GPT Metro Fund, GDI: GDI Property Limited, IDR: Industria REIT, TOF: 360 Capital Office Fund, IOF: Investa Office Fund

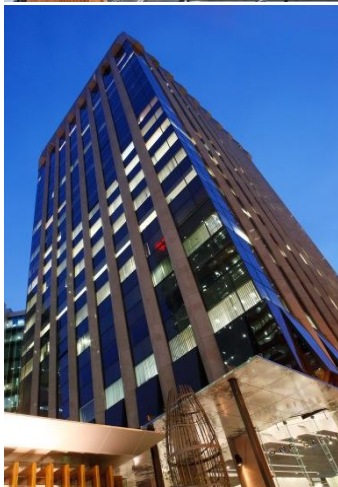
1. FY16 earnings and distribution yields based on guidance and consensus estimates (market prices as at 17 February 2016)

2. Stated gearing calculated as net debt divided by total assets less cash as at the date of this presentation according to company filings

3. All NTAs as last reported as at the date of this presentation according to company filings

4. Gearing and NTA adjusted for the buy-back and asset sales

111 St George's Terrace, Perth, WA – Agreed terms (subject to Unitholder and other approvals)



| | |
|------------------------------|--------------|
| Equity Value: | \$30.4m |
| Initial ownership % | 44.4% |
| Building area ¹ : | 18,978 sqm |
| Net income: | \$10.9m p.a. |
| Cap rate: | 7.6% |
| WALE ² : | 4.6 years |
| Occupancy ³ : | 92.3% |

- Accretive to EPU and DPU
- Stamp duty effective acquisition
- Offer price \$3.73 per Unit being Dec-15 NTA
- Distribution yield 8.6% on offer price
- Potential to increase ownership to 49.9%
- Debt funded via existing capacity (Allara St proceeds)
- 111 St George's Terrace is a 20 storey B-Grade commercial office building prominently location in the heart of the Perth CBD.
- 360 Capital Group has agreed terms over 6,000 sqm or 32.5% of the NLA over the past 6 months
- WALE of 4.6 Years and strong occupancy of 92.3%
- \$12m refurbishment in 2013, modest future capital expenditure

1. Net lettable area
2. By income
3. By area

KEY FOCUS

- Leasing current retail vacancy and FY17 expiry
- Reinvest Allara St proceeds
- Investigate alternate debt funding structures with longer tenure
- Close price gap to NTA
- Achieve greater relevance via S&P/ASX 300 AREIT Index inclusion

GUIDANCE

- Normalised earnings of 18.5 cpu expected post proposed reinvestment of Allara St proceeds
- Focus remains on sustainable long-term Unitholder returns, EPU & DPU growth



FY16 GUIDANCE

18.0 cpu
OPEARTING
EARNINGS

FY16 GUIDANCE

17.0 cpu
DISTRIBUTION

QUESTIONS?

APPENDICES

A Balance sheet

| BALANCE SHEET | 31 Dec 15 (\$,000) | 30 Jun 15 (\$,000) |
|-------------------------------------|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | 3,645 | 3,421 |
| Trade and other receivables | 497 | 988 |
| Investment properties held for sale | - | - |
| Investment properties | 196,100 | 226,100 |
| TOTAL ASSETS | 200,242 | 230,509 |
| LIABILITIES | | |
| Trade and other payables | 2,015 | 2,391 |
| Distribution payable | 3,114 | 3,114 |
| Borrowings | 39,307 | 67,983 |
| Derivative financial instruments | 843 | 195 |
| TOTAL LIABILITIES | 45,279 | 73,683 |
| NET ASSETS | 154,963 | 156,826 |
| UNITS ON ISSUE ('000) | 73,280 | 73,280 |
| NTA PER UNIT (\$) | 2.11 | 2.14 |



Profit & loss statement

| PROFIT AND LOSS STATEMENT | 31 Dec 15 (\$,000) | 31 Dec 14 (\$,000) |
|--|-----------------------|-----------------------|
| Rental income | 10,689 | 10,202 |
| Finance revenue | 40 | 72 |
| Net gain on fair value of rental guarantee | 54 | 311 |
| TOTAL INCOME | 10,783 | 10,585 |
| Investment property expenses | (1,775) | (1,868) |
| Management Fees | (767) | (736) |
| Other expenses | (274) | (267) |
| Finance costs | (1,475) | (1,491) |
| Specific non-cash and significant items | (2,126) | (2,571) |
| STATUTORY NET PROFIT | 4,366 | 3,652 |
| Weighted average units on issue ('000) | 73,280 | 77,694 |
| STATUTORY EPU (cents) | 6.0 | 4.7 |



Operating earnings reconciliation

| OPERATING EARNINGS RECONCILIATION | 31 Dec 15 (\$,000) | 31 Dec 14 (\$,000) |
|--|-----------------------|-----------------------|
| STATUTORY NET PROFIT | 4,366 | 3,652 |
| Specific non-cash items | | |
| Net loss on fair value of investment properties | 200 | 741 |
| Gain on fair value of rental guarantee | (54) | (311) |
| Rental guarantee cash received | 550 | 699 |
| Net loss on fair value of derivative financial instruments | 648 | 811 |
| Amortisation of borrowing costs | 141 | 125 |
| Straight-lining of lease revenue | (697) | (45) |
| Amortisation of incentives and leasing fees | 672 | 50 |
| SIGNIFICANT ITEMS | | |
| Net loss on sale of investment property | 1,278 | 1,019 |
| Outstanding duty paid | 134 | |
| OPERATING EARNINGS | 7,238 | 6,741 |
| Weighted average units on issue ('000) | 73,280 | 77,694 |
| OPERATING EPU (cents) | 9.9 | 8.7 |
| DPU (cents) | 8.5 | 8.5 |

D Portfolio metrics

| | PROPERTY ADDRESS | STATE | VALUE (\$m) | LAST VALUED | CAP % | AREA (sqm) | OCCUPANCY % | WALE (yrs) |
|---|---------------------------|-------|-------------|-------------|-------|------------|-------------|------------|
| 1 | 154 Melbourne Street | QLD | 77.5 | Mar-15 | 7.50% | 11,282 | 98% | 2.3 |
| 2 | 483 Kingsford Smith Drive | QLD | 70.0 | Mar-15 | 7.42% | 9,322 | 98% | 8.0 |
| 3 | 576 Swan Street | VIC | 48.6 | Mar-15 | 7.25% | 8,331 | 100% | 6.2 |
| | Portfolio Total | | 196.1 | | 7.41% | 28,935 | 98.7% | 5.1 |



Portfolio metrics

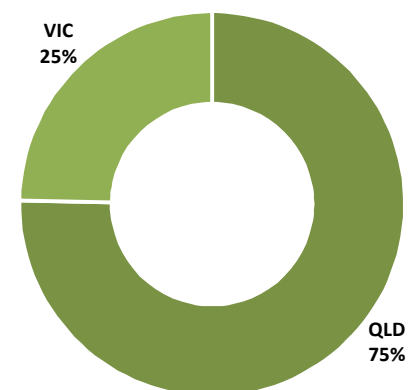
TOP 10 TENANTS

| TENANT | RENT (\$m) | % TOTAL | EXPIRY |
|--|------------|---------|--------|
| GE Capital Finance | 2.2 | 13.9% | Aug 21 |
| Queensland Government (Queensland Studies Authority) | 2.1 | 12.9% | Jun 17 |
| Queensland Government (Department of Education) | 2.0 | 12.4% | Aug 18 |
| Domino's Pizza | 1.5 | 9.4% | May 23 |
| Forever New Clothing | 1.4 | 9.1% | Nov 22 |
| Devine Limited | 1.4 | 9.0% | Mar 21 |
| SMEC Australia Pty Ltd | 1.4 | 8.7% | Oct 17 |
| Collins Foods | 0.7 | 4.5% | Apr 25 |
| Frasers Australia | 0.7 | 4.5% | Aug 17 |
| Woolworths | 0.6 | 3.9% | May 25 |
| Total | 14.1 | 88.3% | |

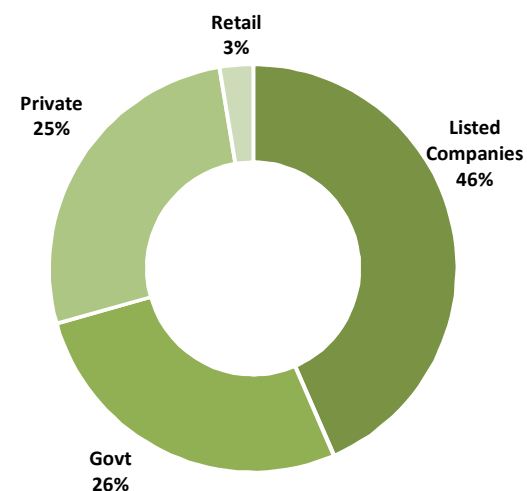
BUILDING AGE

| BUILDING AGE | VALUE (\$m) |
|-------------------|-------------|
| <5 years | 118.6 m |
| 6-10 years | 77.5 m |
| TOTAL AVERAGE AGE | 4.6 years |

GEOGRAPHIC DIVERSIFICATION (by value)



TENANT TYPE (by gross income)



154 Melbourne Street, South Brisbane, QLD


The property is situated in the Near City suburb of South Brisbane, approximately 1.5 radial kilometres south-west of Brisbane's General Post Office. The property is improved with a modern 11-storey commercial office building comprising 10 Upper Levels of commercial office accommodation that have been built around a central service core, Ground Floor retail accommodation and two Basement Levels of car parking for 95 vehicles. The property was constructed in 2009 and provides an A-Grade standard of accommodation.

| | |
|-----------------|----------------------|
| Location | Brisbane, QLD |
| Type: | Office |
| Ownership/title | 100%/Freehold |
| Book value | \$77.5m |
| Cap rate | 7.50% |
| NLA (sqm) | 11,282 |
| WALE (years) | 2.3 |
| Vacancy (sqm) | 2% |

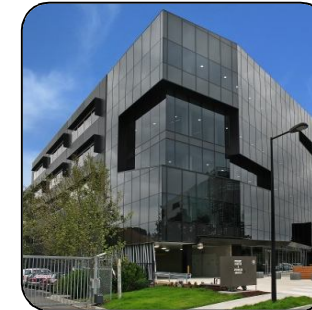
| | |
|-----------------------|------------------|
| Major tenant | NLA (sqm) |
| Qld Studies Authority | 3,700 |

483 Kingsford Smith Drive, Hamilton, QLD


The property forms part of the Hamilton Harbour mixed use development within the suburb of Hamilton, approximately five radial kilometres north-east of Brisbane's General Post Office. The property consists two buildings; a modern 6-storey commercial office building with ground floor retail extending to 8,147 sqm built to an A-Grade standard and a modern 2-storey building comprising ground floor retail and first floor office accommodation. The property was constructed in 2013 and provides secure parking for a total of 185 vehicles.

| | |
|-----------------|----------------------|
| Location | Brisbane, QLD |
| Type: | Office |
| Ownership/title | 100%/Freehold |
| Book value | \$70.0m |
| Cap rate | 7.42% |
| NLA (sqm) | 9,322 |
| WALE (years) | 8.0 |
| Vacancy (sqm) | 2% |

| | |
|---------------------|------------------|
| Major tenant | NLA (sqm) |
| Dominos | 2,640 |

574 Swan Street, Melbourne, VIC


The property is located in Botanic Corporate Park, Richmond approximately five kilometres from the Melbourne General Post Office. The property is well serviced by public transport including the Swan Street tram service, along with Burnley, Heyington and Hawthorn railway stations all within walking distance. The property was completed in August 2013 and comprises a five level commercial property with retail tenancies within the entrance and a two level secure basement car park. The property extends to 8,331 sqm.

| | |
|-----------------|-----------------------|
| Location | Melbourne, VIC |
| Type: | Office |
| Ownership/title | 100%/Freehold |
| Book value | \$48.6m |
| Cap rate | 7.25% |
| NLA (sqm) | 8,331 |
| WALE (years) | 6.2 |
| Vacancy | Nil |

| | |
|---------------------|------------------|
| Major tenant | NLA (sqm) |
| GE Capital | 4,536 |

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