

6 October 2015

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

Dear Sir/Madam

Australian Industrial REIT – Chairman’s Letter to Unitholders

Please find attached a letter that will be dispatched to Australian Industrial REIT (ASX: ANI) unitholders in relation to the Explanatory Statement prepared by Fife Capital Funds Limited as responsible entity of Australian Industrial REIT in response to the Notice of Meeting issued by 360 Capital Investment Management Limited (ACN 133 363 185).

Yours faithfully

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



Susan Vuong
Company Secretary

6 October 2015

Dear ANI Unitholder,

VOTE AGAINST the RE Replacement Resolutions

360 Capital Investment Management Limited ("**360 Capital RE**") as responsible entity of 360 Capital Industrial Fund ("**TIX**") has undertaken a prolonged campaign to gain control of Australian Industrial REIT ("**ANI**") via an unsolicited off-market predominantly-scrip takeover offer ("**TIX Offer**"), beginning with a non-binding proposal on 17 December 2014. 360 Capital RE also requisitioned an ANI Unitholder meeting to replace the responsible entity of ANI, held on 25 May 2015, in which ANI Unitholders overwhelmingly voted against the resolutions put forward by 360 Capital RE.

On 28 September 2015, 360 Capital RE called another ANI Unitholder meeting, once again seeking to replace Fife Capital Funds Limited ("**Fife Funds**") as responsible entity of ANI with a member of the 360 Capital Group, 360 Capital ANI Management Limited ("**360 CAML**") (the "**RE Replacement Resolutions**"). The RE Replacement Resolutions are to be considered at a meeting of ANI Unitholders at 10.00am (Sydney time) on Monday, 26 October 2015 (the "**Meeting**").

Your Independent Directors recommend that you VOTE AGAINST the RE Replacement Resolutions

The Independent Directors of Fife Funds, together with Non-Executive Director John Hudson, recommend that ANI unitholders **VOTE AGAINST the RE Replacement Resolutions**. Each of the Directors of Fife Funds intends to **VOTE AGAINST the RE Replacement Resolutions** in respect of their ANI Units.

The reasons the Independent Directors recommend you VOTE AGAINST the RE Replacement Resolutions include the following:

1. Fife Funds has created value for ANI Unitholders

- Through its management of the TIX Offer, the Independent Board Committee ("**IBC**") of Fife Funds has created value for ANI Unitholders, resulting in an improvement in the consideration under the TIX Offer of \$0.27, an increase of 12.9%¹
- In addition, an indicative, non-binding all-cash proposal offering \$2.40 per ANI Unit has been received, providing the potential for ANI Unitholders to receive a more attractive and certain value outcome
- Had 360 Capital RE been successful in replacing Fife Funds as responsible entity of ANI in May 2015, it is highly unlikely that the TIX Offer would have been increased, or that the all cash proposal would have emerged

2. Fife Funds is the best-placed custodian to represent the interests of ANI Unitholders

- Fife Funds has demonstrated a track record of acting in the best interests of ANI Unitholders
- Fife Funds is best placed to maximise value to all ANI Unitholders. This includes responding to the TIX Offer, and ensuring the all-cash proposal is put to ANI Unitholders
- If the RE Replacement Resolutions are approved, a 360 Capital entity (i.e. 360 CAML) would be responsible for responding to a takeover bid from another 360 Capital entity (i.e. TIX), a fundamental conflict of interest that is not in the best interests of ANI Unitholders

3. 360 Capital RE's proposed change of responsible entity may result in an inferior value outcome for ANI Unitholders

- 360 Capital RE is attempting to gain effective control of ANI without acquiring a majority interest
- If the RE Resolutions are approved, ANI Unitholders may be deprived of the opportunity to receive the highest available value for their ANI Units if 360 CAML does not work to ensure the all-cash proposal is put to ANI Unitholders

4. 360 Capital Group's governance and conflict arrangements are unsatisfactory

- 360 CAML's proposed management protocols would involve ANI and TIX negotiating separately for the same acquisition and leasing opportunities, potentially leading to competition between related parties
- If TIX ultimately acquires 100% of ANI, ANI Unitholders would not have any independent director representation, as the board of 360 Capital Group comprises the same directors as the board of 360 Capital RE

1. Based on the original TIX offer announced on 19 December 2014 of 0.89 TIX Units per ANI Unit with no cash payment, contrasted with the value of the current TIX Offer and using the closing price of TIX units on 5 October 2015 of \$2.34 per TIX unit to value both offers.

5. 360 CAML offers an uncertain strategy and inferior management proposition

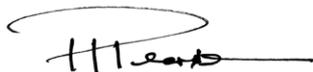
- 360 CAML has yet to identify the proposed fund manager for ANI and has an uncertain strategy given it has proposed a strategic review of ANI which may result in operational changes to ANI's portfolio or repositioning of the portfolio
- Additionally, the Independent Directors have concerns over the property and portfolio management approach, development capability and pipeline under 360 CAML

At the last ANI Unitholder meeting held on 25 May 2015, voting results show that 98% of ANI units voted on the proposal (excluding those voted by 360 Capital RE) supported Fife Funds being retained as responsible entity of ANI. **It is important that you exercise your rights as an ANI Unitholder to ensure that the outcome of the new Meeting reflects the wishes of the majority of ANI Unitholders, and not just those that vote at the Meeting.** Your vote counts, as the RE Replacement Resolutions may be passed even if only 50% of units at the meeting vote in favour.

To VOTE AGAINST the RE Replacement Resolutions, complete the proxy form accompanying this letter and lodge it to be received by 10.00am on 24th October 2015. DO NOT complete the proxy form attached to the Notice of Meeting issued by 360 Capital Group.

You will shortly receive an Explanatory Statement setting out in more detail the IBC's response to the RE Replacement Resolution, including details of the IBC's recommendation as well as the IBC's response to a number of misleading statements contained in the Notice of Meeting. You should also carefully consider the implications of the Meeting for the TIX Offer as outlined in this Explanatory Statement. A copy of the Explanatory Statement is available at the ASX website as set out below.

The Responsible Entity will keep you informed if there are any material developments with respect to the Meeting. The Explanatory Statement and other announcements relating to the TIX Offer, the RE Replacement Resolutions and ANI can be found on the ASX website (www.asx.com.au ASX code: ANI).



Rod Pearse OAM

Independent Chairman
Fife Capital Funds Limited
as responsible entity of the Australian Industrial REIT