REJECT THE UPDATED OFFER

AUSTRALIAN INDUSTRIAL REIT

Updated 360 Capital Industrial Fund offer for ANI

31 March 2015

Summary

The IBC recommends ANI unitholders reject the Updated Offer

- Australian Industrial REIT (**ANI**) is currently the subject of a predominantly scrip unsolicited off-market takeover offer from 360 Capital Industrial Fund (**TIX**) (**Offer**)
  - on 24 March 2015, TIX released its Third Supplementary Bidder's Statement updating the Offer terms including amending the consideration in relation to the Offer (**Updated Offer**)

- The Independent Board Committee (**IBC**) of Fife Capital Funds Limited, the responsible entity of ANI, recommends that ANI unitholders **REJECT** the Updated Offer as it represents only a marginal improvement on TIX's original Offer and fails to deliver compelling value for ANI unitholders

- Each of ANI's directors currently intends to **REJECT THE UPDATED OFFER** in respect of the ANI units they own

- Independent Expert, KPMG Corporate Finance, has concluded the Updated Offer is **neither fair nor reasonable**

Updated Offer

- The Updated Offer will close on 15 April 2015 (unless extended) and has been amended as follows:

Per ANI unit	Original Offer	Updated Offer	Comments
TIX scrip consideration	0.89 TIX units	0.90 TIX units	• Equates to c.$0.03 per ANI unit[1]
Conditional Cash Payment	3 cents	10 cents	• Conditional Cash Payment is uncertain, being 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 Updated Offer closes
March 2015 TIX distribution	4.5 cents	–	• TIX Cash Payment is in lieu of the TIX March 2015 quarterly distribution that would have been received under the original Offer[2] • ANI unitholders who accept the Updated Offer will also receive the TIX June 2015 quarterly distribution expected to be 4.6 cents (per ANI unit equivalent), but forego the ANI June 2015 half yearly distribution expected to be 9.6 cents per ANI unit
TIX Cash Payment	–	4.5 cents	

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Notes:
1 Based on $2.60 per TIX unit (being the TIX 5 day VWAP of $2.64 on 27 March 2015, adjusted for the 5.0662 cent March 2015 quarter distribution for the days prior to the ex-distribution date of 27 March 2015)
2 Subject to satisfaction or waiver of all Offer conditions and acceptance by 24 March 2015

Key reasons to reject the Updated Offer

1. **The Updated Offer delivers unsatisfactory financial outcomes for ANI unitholders**
2. **The Updated Offer fails to provide a compelling or certain premium for ANI unitholders**
3. **A change in management to 360 Capital Group changes the risk profile for ANI unitholders**
4. **360 Capital Group has unsatisfactory governance arrangements**
5. **The Independent Expert has concluded the Updated Offer is neither fair nor reasonable**

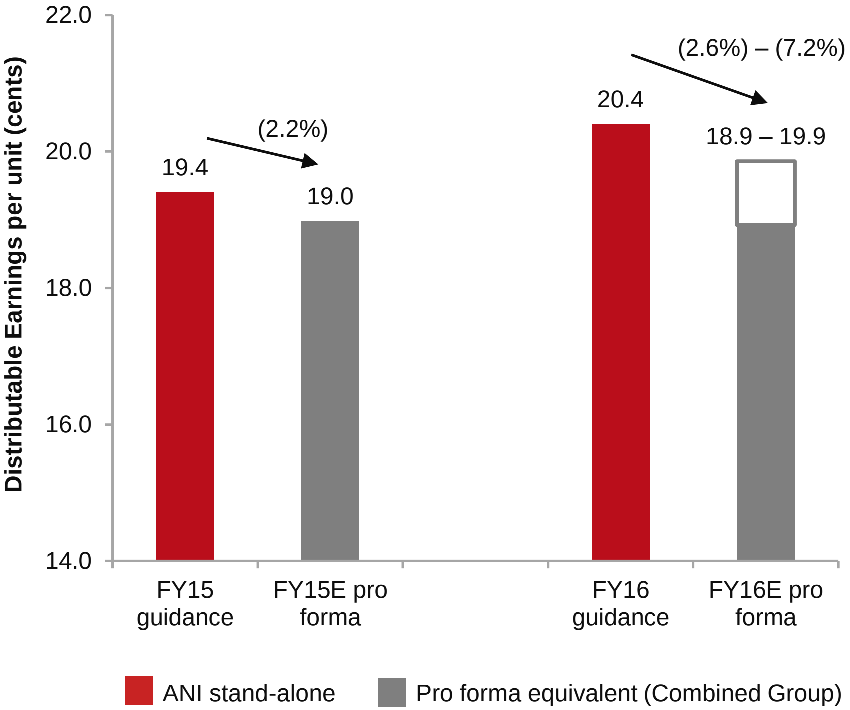
Key reasons to reject the Updated Offer (continued)

1. Unsatisfactory financial outcomes for ANI unitholders

On an equivalent basis, ANI unitholders may suffer EPU dilution

- The Updated Offer may still result in distributable earnings per unit (EPU) dilution for ANI unitholders
- FY15E EPU dilution is (2.2%) assuming TIX achieves 100% ownership of ANI and full year impact[1,2]
- FY16E EPU dilution is (2.6%) – (7.2%) assuming TIX achieves 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 (2.6% dilution) reflects no asset sales[1,2]
  – lower end of range (7.2% dilution) reflects full year impact of asset sales[1,2]

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



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Notes:

1 Assumptions consistent with Section 7 of the Target's Statement updated to reflect the increased scrip ratio from 0.89 TIX units per ANI unit to 0.90 TIX units per ANI unit and the impact of debt funding the $0.045 per unit TIX Cash Payment at TIX's all-in cost of debt of 4.0% per annum. Refer to Section 2 of the Second Supplementary Target's Statement for more information

2 Excludes the re-investment of the $0.10 Conditional Cash Payment. Full re-investment of the Conditional Cash Payment in the Combined Group at $2.60 per TIX unit (being the TIX 5 day VWAP of $2.64 on 27 March 2015, adjusted for the 5.0662 cent March 2015 quarter distribution for the days prior to the ex-distribution date of 27 March 2015), prior to any leakage from tax and brokerage costs leads to a pro forma EPU impact of 2.0% in FY15 and (3.3%) to 1.5% in FY16 (depending on the extent of asset sales). Note that the full re-investment outcome is prior to tax and brokerage costs payable, which will depend on each individual ANI unitholder's position and will worsen the EPU impact from the levels quoted. See Section 2.3 of the Second Supplementary Target's Statement for sensitivity analysis of the impact of re-investment of the Conditional Cash Payment

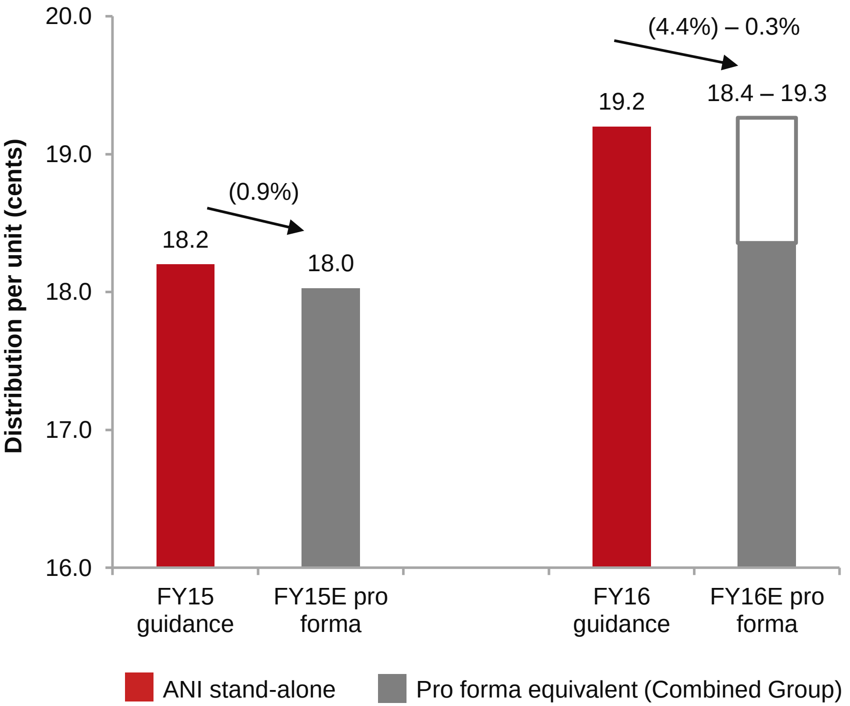
Key reasons to reject the Updated Offer (continued)

1. Unsatisfactory financial outcomes for ANI unitholders

On an equivalent basis, ANI unitholders may suffer DPU dilution

- FY15E distribution per unit (DPU) dilution is (0.9%) assuming TIX achieves 100% ownership of ANI and full year impact[1,2]
- FY16E DPU outcome will depend on the timing and execution of asset sales that TIX has stated it intends to make
  - DPU impact is (4.4%) to 0.3% assuming TIX achieves 100% ownership of ANI and full year impact[1,2]
  - DPU impact for ANI unitholders has been softened by TIX assuming an increased payout ratio of 97% for the Combined Group in FY16E (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]



Notes:
1. Assumptions consistent with Section 7 of the Target's Statement updated to reflect the increased scrip ratio from 0.89 TIX units per ANI unit to 0.90 TIX units per ANI unit, the impact of debt funding the $0.045 per unit TIX Cash Payment at TIX's all-in cost of debt of 4.0% per annum, and a Combined Group payout ratio of 97% of EPU in FY16 (consistent with the revised assumption in the TIX Third Supplementary Bidder's Statement). Refer to Section 2 of the Second Supplementary Target's Statement for more information
2. Excludes the re-investment of the $0.10 Conditional Cash Payment. Full re-investment of the Conditional Cash Payment in the Combined Group at $2.60 per TIX unit (being the TIX 5 day VWAP of $2.64 on 27 March 2015, adjusted for the 5.0662 cent March 2015 quarter distribution for the days prior to the ex-distribution date of 27 March 2015), prior to any leakage from tax and brokerage costs leads to a pro forma DPU impact of 3.3% in FY15 and (0.3%) to 4.6% in FY16 (depending on the extent of asset sales). Note that the full re-investment outcome is prior to tax and brokerage costs payable, which will depend on each individual ANI unitholder's position and will worsen the DPU impact from the levels quoted in the preceding sentence. See Section 2.3 of the Second Supplementary Target's Statement for sensitivity analysis of the impact of re-investment of the Conditional Cash Payment

Key reasons to reject the Updated Offer (continued)

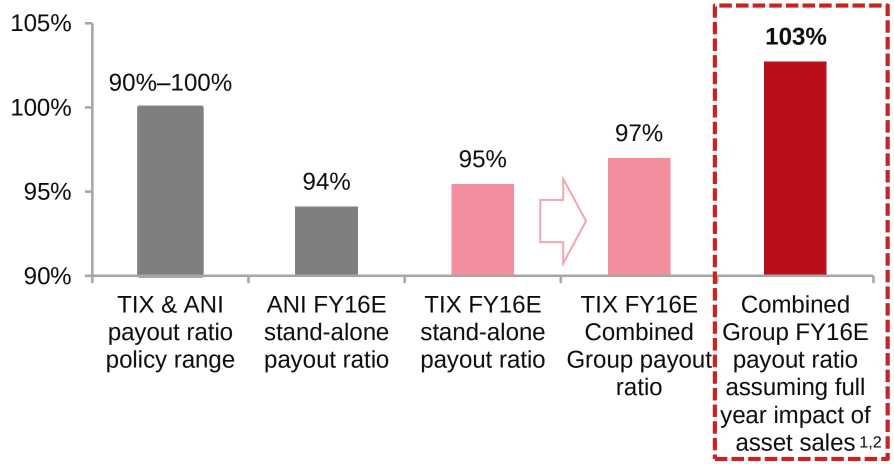
1. Unsatisfactory financial outcomes for ANI unitholders

To achieve stated FY16E DPU for the Combined Group, TIX is increasing the payout ratio with no increase in underlying earnings

- TIX has increased the FY16E payout ratio assumption for the Combined Group twice since the original Bidder's Statement to engineer a higher stated forecast Combined Group DPU
  - assumed payout ratio has increased by 2% from an initial level of 95% in the Bidder's Statement to 97% in the Third Supplementary Bidder's Statement
  - TIX forecast EPU for the Combined Group has fallen slightly from 22.4 cents to 22.3 cents over the same period
- TIX's FY16E EPU for the Combined Group assumes asset sales are completed on 31 March 2016, only 3 months before the end of FY16
- ANI has calculated a FY16E EPU range for the Combined Group to show the full year impact of asset sales
  - provides greater clarity to ANI unitholders on the level of EPU post asset sales
- TIX's forecast FY16E DPU for the Combined Group reflects a payout ratio of 103% of EPU (post full year impact of asset sales)
  - elevated payout ratio may dampen DPU growth prospects for the Combined Group

TIX	Date	TIX assumed Combined Group FY16E payout ratio
Original Bidder's Statement	3 Feb 2015	95.0%
Second Supplementary Bidder's Statement	23 Feb 2015	96.5%
Third Supplementary Bidder's Statement	24 Mar 2015	97.0%

Payout ratio



Notes:

1. Assumptions consistent with Section 7 of the Target's Statement updated to reflect the increased scrip ratio from 0.89 TIX units per ANI unit to 0.90 TIX units per ANI unit and the impact of debt funding the $0.045 per unit TIX Cash Payment at TIX's all-in cost of debt of 4.0% per annum. Refer to Section 2 of the Second Supplementary Target's Statement for more information
2. Based on TIX's stated pro forma forecast FY16E DPU of 21.6 cents for the Combined Group and ANI's pro forma forecast FY16E EPU of 21.0 cents for the Combined Group (reflecting the full year impact of asset sales)

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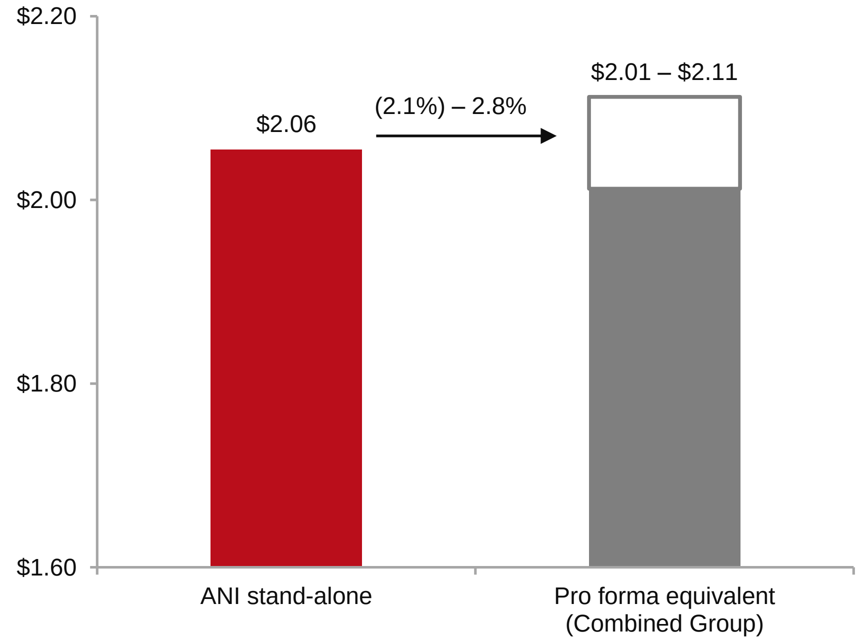
Key reasons to reject the Updated Offer (continued)

1. Unsatisfactory financial outcomes for ANI unitholders

On an equivalent basis, ANI unitholders may suffer NTA per unit dilution

- NTA per unit impact for ANI unitholders will depend on whether the Conditional Cash Payment is paid
  - upper end of the range ($2.11) includes the full amount of the Conditional Cash Payment before tax[1,2,3]
  - lower end of the range ($2.01) excludes the Conditional Cash Payment[1,2]
- NTA impact incorporates TIX's 31 March 2015 revaluations, whereas ANI has not revalued its portfolio since 31 December 2014
  - TIX has yet to provide an asset by asset breakdown detailing which properties contributed to the revaluation
- ANI transaction costs associated with the Updated Offer are included in the Combined Group, given such costs are only incurred due to the unsolicited approach from TIX
- NTA impact assumes TIX is able to realise book value as at 31 December 2014 for its proposed asset sales

Equivalent NTA per unit impact for ANI unitholders based on TIX acquiring 100% of ANI[1,2,3]



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Notes:

1. NTA as at 31 December 2014 adjusted for termination of derivative financial instruments, December 2014 DRP, March 2015 revaluations and acquisition of Boondall property for TIX and termination of derivative financial instruments for ANI
2. Assumptions consistent with Section 7 of the Target's Statement updated to reflect the increased scrip ratio from 0.89 TIX units per ANI unit to 0.90 TIX units per ANI unit, the impact of debt funding the $0.045 per unit TIX Cash Payment and TIX March 2015 revaluations. Refer to Section 2 of the Second Supplementary Target's Statement for more information
3. Tax payable on the Conditional Cash Payment will depend on each individual ANI unitholder's position and will worsen the NTA per unit impact from the levels quoted

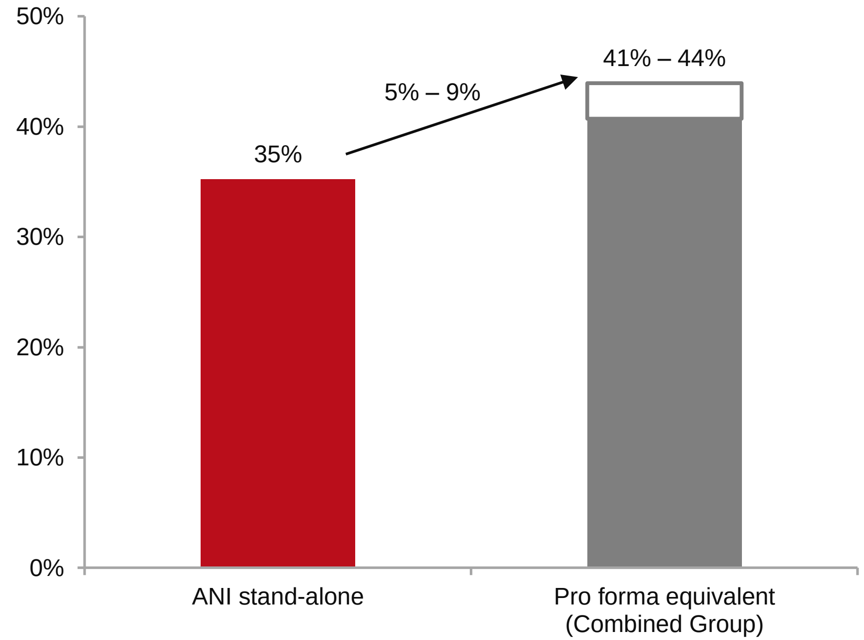
Key reasons to reject the Updated Offer (continued)

1. Unsatisfactory financial outcomes for ANI unitholders

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% compared to ANI's gearing level as at 31 December 2014 of 35%[1,2,3]
  - actual balance sheet gearing will depend on the extent of ANI asset sales that TIX has stated that it intends to make
- The level of financial risk will increase for ANI unitholders due to a 10% increase in the target gearing level
  - TIX has a target gearing range of 35% – 50%, compared to ANI's range of 25% – 40%

Gearing impact for ANI unitholders based on TIX acquiring 100% of ANI[1,2,3]



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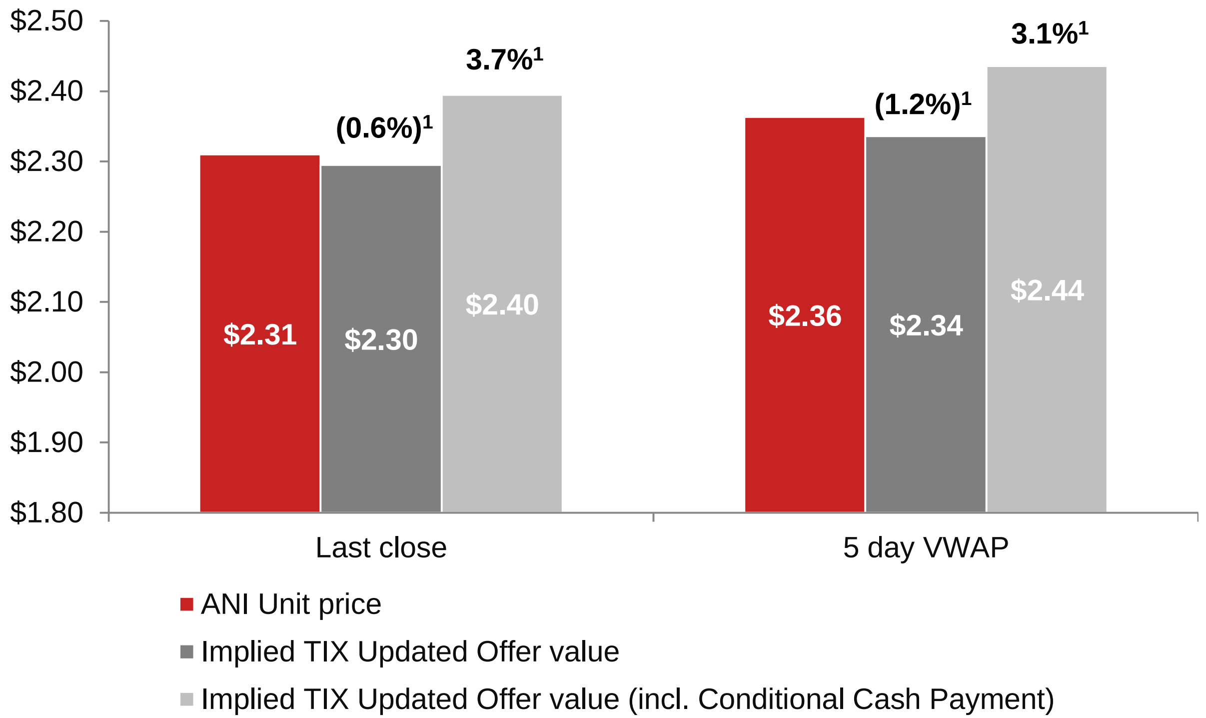
Notes:
1 Gearing as at 31 December 2014 adjusted for termination of derivative financial instruments, December 2014 DRP, March 2015 revaluations and acquisition of Boondall property for TIX and termination of derivative financial instruments for ANI
2 Assumptions consistent with Section 7 of the Target's Statement updated to reflect the increased scrip ratio from 0.89 TIX units per ANI unit to 0.90 TIX units per ANI unit, the impact of debt funding the $0.045 per unit TIX Cash Payment and TIX March 2015 revaluations. Refer to Section 2 of the Second Supplementary Target's Statement for more information
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

Key reasons to reject the Updated Offer (continued)

2. No compelling or certain premium for ANI unitholders

- The Updated Offer provides only a small premium (or discount) to the ANI trading price
- The ability for ANI unitholders to realise the implied value of the Updated Offer and realise any premium is not certain given the relatively low liquidity of TIX Units
  - over the last 12 months TIX had lower relative liquidity than ANI, the S&P/ASX 300 A-REIT Index and the All Ordinaries Index
  - cumulative value traded as a percentage of market capitalisation was 34% for TIX compared with 67% for ANI[2]



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Source: IRESS, Datastream

Notes:

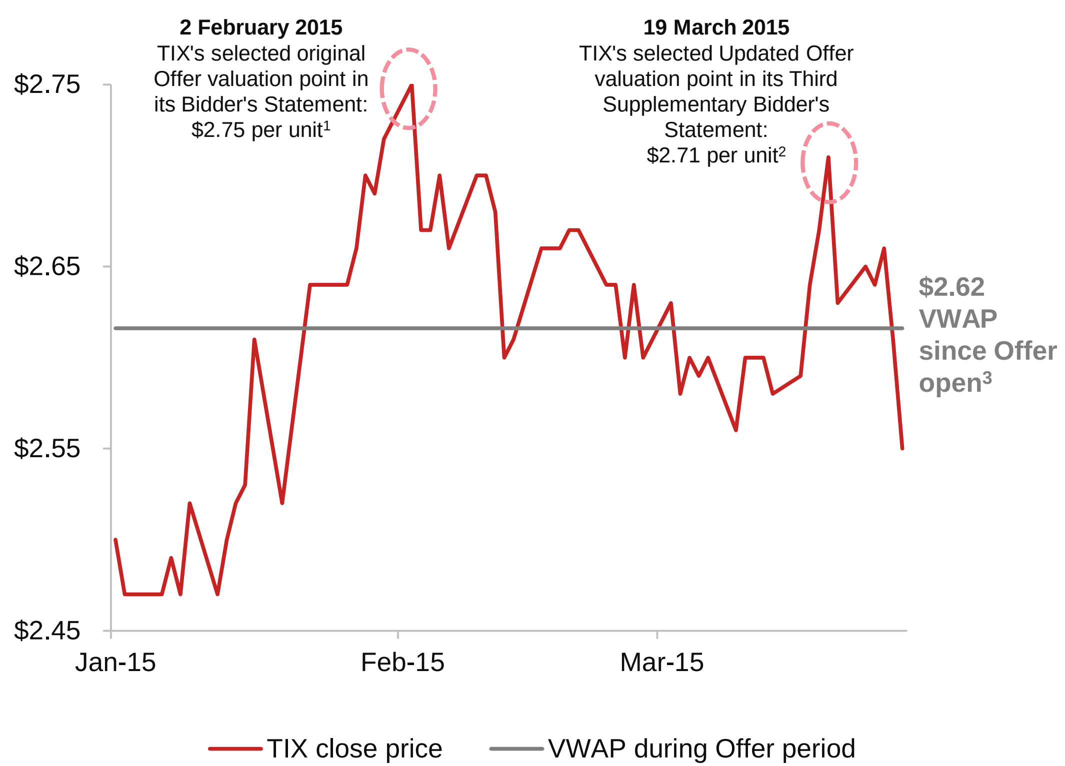
1. Based on the TIX last close of $2.55 on 27 March 2015, and the 5 day VWAP of $2.64 on 27 March 2015 (adjusted for the 5.0662 cent March 2015 quarter distribution for the days prior to the ex-distribution date of 27 March 2015). Excludes TIX Cash Payment of 4.5 cents per ANI unit paid in lieu of the 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 TIX Updated Offer. Inclusion of the TIX Cash Payment increases the premia offered in the above scenarios by c.1.9%
2. For the 12 months to 27 March 2015

Key reasons to reject the Updated Offer (continued)

2. No compelling or certain premium for ANI unitholders

- TIX's Bidder's Statement presented an implied Offer value based on TIX's all-time high close price
- TIX's Third Supplementary Bidder's Statement presented an implied value of the Updated Offer based on TIX's third all-time highest close price
- Given it is predominantly scrip, the Updated Offer value is largely dependent on the value of TIX units which will vary over time
  - Conditional Cash Payment of $0.10 per ANI unit is uncertain and may not be received by ANI unitholders

TIX trading price



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Source: IRESS

Notes:

1 Less than 0.1% of TIX units on issue have ever traded at or above $2.75

2 Value of $2.71 relates to 15,485 units that traded after market close (0.01% of TIX's issued capital)

3 VWAP from 17 February 2015 to 27 March 2015

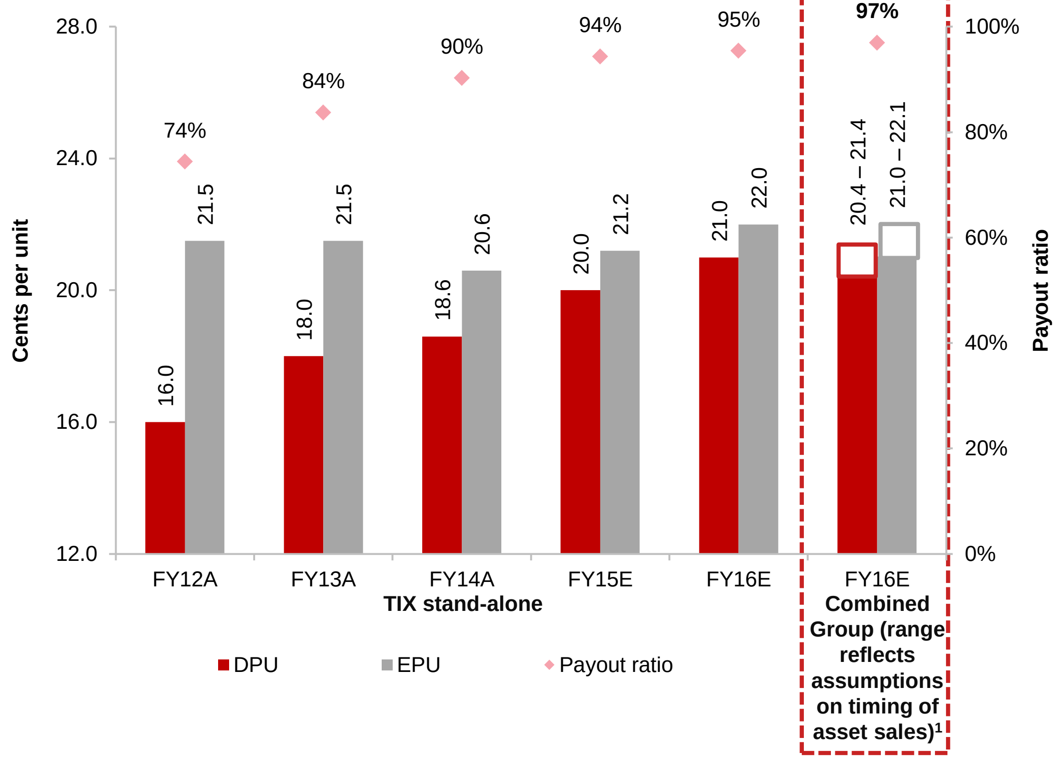
Key reasons to reject the Updated Offer (continued)

3. Change in risk profile on change of management

360 Capital Group's track record of EPU and DPU growth with TIX raises concerns for the Combined Group's future prospects

- TIX stand-alone FY15E EPU guidance is (1.4%) lower than its FY12A EPU, while its corresponding DPU is 25% higher
  - the increase in DPU is a result of a 20% rise in the payout ratio from 74% to 94%
- Looking ahead to FY16, pro forma EPU for the Combined Group relative to TIX stand-alone decreases by (4.4%) assuming a full year impact of asset sales, or a modest increase of 0.3% assuming no asset sales
- The opportunity for TIX to deliver distribution growth in the future via continued increases in payout ratio is questionable and leaves limited capacity to absorb unforeseen expenses without affecting distributions or exceeding its target payout ratio

TIX actual and forecast financial performance



Source: TIX filings

Note:

1 Assumptions consistent with Section 7 of the Target's Statement updated to reflect the increased scrip ratio from 0.89 TIX units per ANI unit to 0.90 TIX units per ANI unit and the impact of debt funding the $0.045 per unit TIX Cash Payment at an all-in cost of debt for the Combined Group of 4.0% per annum, and a Combined Group payout ratio of 97% of EPU in FY16 (consistent with the revised assumption in the TIX Third Supplementary Bidder's Statement). Refer to Section 2 of the Second Supplementary Target's Statement for more information

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Key reasons to reject the Updated Offer (continued)

3. Change in risk profile on change of management

ANI's strategy differs materially from TIX's strategy and the Updated Offer does not address any of the following issues which were raised in the Target's Statement:

Issue	Original Offer	Updated Offer
Investment criteria	• Majority of TIX properties would not meet ANI's strict investment criteria	No change
Property management	• Fife Capital Group undertakes property management allowing it to maintain direct relationships and day-to-day dealings with all ANI tenants vs. TIX outsourcing to third parties	No change
Portfolio management	• ANI focus on proactively re-leasing assets with short WALEs and maintaining close tenant relationships vs. TIX selling assets with short WALEs at a c.12% discount to last external valuation	No change
Built-to-suit development pipeline	• Track record of built-to-suit development and significant pipeline vs. TIX's uncertain development pipeline	No change
Capital management	• ANI's target gearing range of 25% – 40% vs. TIX 35% – 50% • ANI pro forma gearing of 35% as at 31 December 2014 vs. TIX pro forma gearing of 46% as at 31 December 2014[1]	No change

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Note:
1 Gearing as at 31 December 2014 adjusted for termination of derivative financial instruments, December 2014 DRP, March 2015 revaluations and acquisition of Boondall property for TIX and termination of derivative financial instruments for ANI

Key reasons to reject the Updated Offer (continued)

4. 360 Capital Group has unsatisfactory governance arrangements

360 Capital Group's proposed amendments to governance arrangements still do not resolve all conflict concerns raised previously in the Target's Statement

Issue	Original Offer	Updated Offer
Conflicts between TIX and 360 Capital Group	Each of the directors of the responsible entity of TIX are also directors of 360 Capital Group	No change
Conflicts between ANI and TIX (if TIX does not acquire 100% of ANI and a 360 Capital Group member is appointed as the responsible entity of ANI)	If ANI and TIX both remain listed on the ASX, and are managed by 360 Capital Group entities, then a number of conflict issues would arise relating to the allocation of: • investment opportunities; • potential tenants; and • potential investors where they are suitable for both ANI and TIX	TIX has proposed a dedicated fund manager and a dedicated responsible entity to be appointed to ANI with a majority independent board from 360 Capital Group, however 360 Capital Group has not yet provided any detail regarding its proposed: • candidates for the **board of directors** to allow proper scrutiny by ANI unitholders of their expertise and independence, nor even begun the process of identifying independent directors; • **ANI fund manager** to allow ANI unitholders to assess the individual's expertise and suitability for the role; or • **"appropriate conflict management protocols"** it has promised to put in place in relation to the allocation of opportunities, tenants and investors where they are suitable for both ANI and TIX

Key reasons to reject the Updated Offer (continued)

5. Independent Expert has concluded the Updated Offer is neither fair nor reasonable

The Independent Expert, KPMG Corporate Finance, states in its Supplementary Independent Expert's Report:

A “there is an insufficient control premium inherent in the Updated Offer”

"Accordingly, we consider the Updated Offer to be **not fair**"

B “the disadvantages to the ANI unitholders of accepting the Updated Offer outweigh the advantages, and there are no compelling reasons as to why the ANI unitholders should accept the Updated Offer”

"Accordingly, we consider the Updated Offer is **not reasonable**"

Contact details

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ANI unitholder information line

ANI has established a unitholder information line which ANI unitholders should call if they have any queries in relation to the Updated Offer. The telephone number for the unitholder information line is:

- 1300 730 659 (Toll Free for calls within Australia)
- +61 1300 730 659 (for callers outside Australia)

which is available Monday to Friday between 8.30am and 5.30pm (Sydney time)

Disclaimer

This presentation has been prepared and issued by Fife Capital Funds Limited (ABN 18 130 077 735) (AFSL 438 693) (**Fife Funds** or the **Responsible Entity**) as the Responsible Entity of the Australian Industrial REIT (ARSN 165 651 301) (**ANI** or the **Fund**) and relates to the predominantly scrip off-market takeover bid (**Offer**) made by 360 Capital Investment Management Limited (ACN 133 363 185) (**CIML**) as responsible entity of the 360 Capital Industrial Fund (ARSN 099 680 252) (**TIX**). This presentation should be read together with, and is subject to, the information set out in the target's statement lodged by ANI with ASX on 26 February 2015, the First Supplementary Target's Statement lodged by ANI with ASX on 30 March 2015 and the Second Supplementary Target's Statement lodged by ANI with ASX on 31 March 2015 (**Target's Statement**). The Target's Statement is an important document and be should read in its entirety before deciding whether to reject or accept the Offer.

The information contained in this presentation should not be taken as financial product advice and has been prepared as general information only without consideration of your particular investment objectives, financial circumstances or particular needs. This presentation is not an invitation, offer or recommendation (express or implied) to apply for or purchase or take any other action in respect of ANI securities.

Given that the consideration offered under the Offer is predominantly in the form of TIX units, the implied value of the Offer will vary with the ASX trading price of TIX units. Further information on the implied value of the Offer is contained in the Target's Statement.

All of the information concerning TIX contained in this presentation has been obtained directly from TIX or from publicly available sources including public documents filed by TIX or information published by TIX on its website. Neither Fife Funds, ANI or their related bodies corporate or advisers assume any responsibility for the accuracy or completeness of this information.

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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.