



ASX Release

11 August 2022

360 Capital Enhanced Income Fund (ASX:TCF)

Financial Year 2022 Results

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360 Capital FM Limited as Responsible Entity for the 360 Capital Enhanced Income Fund (“TCF” or “Fund”) is pleased to announce its financial results for the year ended 30 June 2022.

FY22 Key Highlights

The Fund's net profit for the year ended 30 June 2022 was \$1.4 million with distributions of 36.0 cents per unit ('cpu') in line with guidance provided by the Fund following the change of Responsible Entity to 360 Capital FM Limited in September 2020. Earnings of 36.2 cpu were delivered through interest income received on loan investments.

The Fund's Net Tangible Asset (**NTA**) value per unit as at 30 June 2022 remained unchanged at \$5.94, reflecting the carrying value of investments by the Fund.

In December 2021, the Fund undertook a pro-rata non-renounceable entitlement offer of new ordinary units to support the Fund's strategy of growth and diversification. Eligible unitholders were provided the opportunity to acquire new fully paid units at a price of \$5.94, equivalent to the Fund's NTA¹. The entitlement offer also included a residual shortfall facility under which entitlements not taken up by existing eligible unitholders could be offered to new sophisticated and institutional investors.

The Fund raised approximately \$1.7 million as part of the December entitlement offer and a further \$2.4 million through the residual shortfall facility. The residual shortfall units were issued in January 2022. 360 Capital Group (ASX:TGP) paid all the costs of the raisings to ensure the NTA of the Fund was not eroded, maintaining the NTA at \$5.94 per unit. The Fund remains ungeared.

The proceeds of the entitlement offer and residual shortfall facility increased the gross assets of the Fund to \$24.7 million as at 30 June 2022, up from \$20.5 million as at 30 June 2021.

The closing price of the Fund's units on the ASX as at 30 June 2022 was \$5.30 per unit, a 10.8% discount to the Fund's NTA of \$5.94 per unit.

Investment Highlights

The Fund's initial investment of \$20.4 million, made in March 2021 continues to perform and meet its obligations, including payment of interest and compliance with covenants. The Fund increased the loan facility in its initial investment by a further \$2.6 million during the year to allow the borrower to fund capital expenditure for their business.

The Fund completed its second investment in April 2022. The new investment was a \$1.5 million loan facility that was provided to a company associated with its existing borrower to assist with a business acquisition and structuring.

¹ As at 30 September 2021



Distributions

The Fund paid a total of \$1.4 million in distributions for the 2022 financial year, equivalent to \$0.36 per unit in line with forecasts, this was paid as a monthly distribution of \$0.03 per unit.

Distribution guidance for the 2023 financial year is forecast to remain at \$0.03 per unit per month (net of fees and costs), equivalent to a distribution yield of 6.8% based on the closing price of the Funds units as at 30 June 2022.

Strategic Review of Fund

In June 2022, the Responsible Entity of the Fund, 360 Capital FM Limited, announced that it had commenced a strategic review of the Fund following recent changes to the interest rate environment which it believes will impact the ability to scale the Fund, resulting in poor trading liquidity and continuing discount between the Fund's trading price and its NTA per unit.

The Fund's capital is fully deployed, and its loan investments continue to perform and the borrowers remain within their loan covenants. The Fund continues to trade at a discount to its NTA, however, has improved slightly since 30 June 2022.

We expect the loans to continue to perform and the Fund to continue to pay a distribution of \$0.36 per unit, per annum.

The borrower's business continues to expand and it may need expansion capital as part of its growth strategy. We have informed the borrower that the Fund is not currently in a position to provide this growth capital and alternatively if the borrower seeks alternative capital, this may result in the repayment of the Fund's loan.

We have investigated the option of potentially selling the loans to distribute the capital back to unitholders. Given the current uncertain economic environment and potential future capital requirements of the borrower's business, this is problematic at this time.

The loans expire in March 2025 and we have informed the borrower that we will not be extending these loans, however, for the reasons stated above, we expect the loans will likely be repaid before this date.

We intend to continue to operate the Fund until such time as these loans are repaid. 360 Capital Group is the largest unitholder in the Fund owning 16.4%.

Upon the loans being repaid, the Responsible Entity will consult with unitholders about the future direction of the Fund, taking into consideration the illiquidity of the Fund, and market conditions at this time. Until this time, we intend to keep the Fund listed on the ASX providing unitholders the opportunity to liquidate their position if required or purchase further units.



Outlook and guidance

The Fund continues to be paid monthly interest payments from the borrower, providing a consistent revenue stream from which it expects to continue to pay monthly distributions to unitholders.

Post undertaking the strategic review as set out above, at this stage we expect to continue to operate the Fund as normal, market the benefits of the Fund to potential new investors increasing demand for the Fund's units to close the gap between the ASX trading price to its NTA and manage the loan until such time as it is repaid.

As stated above, the Fund is forecast to continue to distribute \$0.03 per unit per month in line with its forecast distribution of \$0.36 per unit for FY23.

Authorised for release by, The Board, 360 Capital FM Limited.

More information on the Group can be found on the ASX's website at www.asx.com.au using the Group's ASX code "TGP", on the Group's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1300 082 130 or by emailing investor.relations@360capital.com.au.

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About 360 Capital Enhanced Income Fund (ASX: TCF)

The 360 Capital Enhanced Income Fund (previously the Australian Enhanced Income Fund) was established in 2006 and provides investors access to fixed income and private credit investment opportunities across listed and unlisted issuers. TCF aims to deliver regular monthly income to investors through disciplined asset selection and risk analysis.
