

# 360 Capital Industrial Fund

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21 July 2015

## **360 Capital Industrial Fund (TIX) Letter to ANI Unitholders**

360 Capital Investment Management Limited (360 Capital) as responsible entity for the 360 Capital Industrial Fund (Bidder) refers to the off-market takeover bid (TIX Offer) which it has made for all the units in Australian Industrial REIT (ANI).

Attached to this notice is a letter which has been dispatched to ANI Unitholders today.

More information on the Fund can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au) using the Fund's ASX code "TIX", on the Fund's website [www.360capital.com.au](http://www.360capital.com.au), by calling the TIX Offer Information Line on 1800 247 697 (callers in Australia) or +61 2 8024 1189 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

Alternatively, please contact:

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### **About 360 Capital Industrial Fund (ASX code TIX)**

360 Capital Industrial Fund is an ASX-listed Fund focused on passive rent collecting from warehouse and logistics properties in Australia in the \$10 million plus range. The Fund has strong, defensive, income-focused investment fundamentals via a diversified \$544 million portfolio of 22 quality assets, a weighted average lease expiry of 5.8 years, occupancy of 99.9% and a FY15 distribution of 21.0cpu. The Fund is externally managed by 360 Capital Group, a leading ASX-listed real estate investor and fund manager that operates under a transparent fee structure and is the largest unitholder in the Fund to ensure ongoing alignment of interests with Unitholders.

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### **About 360 Capital Group (ASX code TGP)**

360 Capital Group is an ASX-listed, property investment and funds management group concentrating on strategic investment and active investment management of property assets. The company actively invests in direct property assets, property securities and various corporate real estate acquisitions within Australian real estate markets on a private equity basis. 360 Capital Group's 21 full time staff have significant property, funds and investment management experience. 360 Capital Group manages nine investment vehicles holding assets valued at over \$1.2 billion on behalf of over 10,300 investors and has over \$177 million worth of co-investments across the 360 Capital Group.

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21 July 2015

Dear ANI Unitholder,

**WE UNDERSTAND YOU HAVE RECEIVED A LOT OF CORRESPONDENCE  
HOWEVER, PLEASE READ THIS LETTER CAREFULLY**

360 Capital Investment Management Limited (**360 Capital**) as responsible entity for 360 Capital Industrial Fund (**Bidder or TIX**) refers to the announcement by ANI's Independent Board Committee (**IBC**) on Friday, 17 July 2015 and makes the following points.

1. No updated Independent Expert Report – as required by ASIC policy, IBC should have obtained an updated IER given the material changes relating to the TIX Offer
2. IBC will not engage with 360 Capital to give ANI Unitholders certainty of the additional 10 cents Cash Payment
3. Significant leasing risk within ANI – this has still not been addressed by Fife Funds

Further discussion on the points above is provided below:

**1. No updated Independent Expert Report (IER)**

- The IER is now out of date. ASIC Policy dictates that the IER should be updated where there is a material change of circumstances which has clearly occurred. Material changes include:
  - TIX Offer has been declared unconditional - ANI Unitholders now have certainty that they will receive 0.90 TIX Units and 4.5 cents if they accept the TIX Offer. The removal of this condition has not been addressed by the IER;
  - TIX's ownership in ANI has increased substantially from 12.9% to over 31%. During this time no alternative proposal has emerged. TIX's current significant ownership in ANI, including an updated assessment of a sufficient control premium, has not been addressed by the IER;
  - ASX trading liquidity in ANI Units has reduced significantly in recent months and we believe will continue to do so as TIX's ownership in ANI increases. This may lead to the removal of ANI from the S&P/ASX300 Index and selling pressure as Index-linked investment funds are required to reduce their positions. This will have a negative impact on the ANI Unit price for Unitholders that do not accept. The current liquidity challenges facing ANI have not been addressed by the IER; and

- implied value of the TIX offer relative to an ANI Unit has increased by 4.1 cents<sup>1</sup>. ANI Unitholders who accept the TIX Offer will now receive the TIX Offer consideration plus the full ANI distribution for the six months ended 30 June 2015 of 9.6 cents per ANI Unit. the increase in the relative implied value of the TIX offer has not been addressed by the IER
- Furthermore, the IBC took three weeks (15 business days) to review the TIX Offer and rejected it without addressing the clear changes in circumstances set out above. ANI Unitholders are entitled to have these issues substantively addressed.

Why has the IBC not required the KPMG Corporate Finance Report to be updated as required by ASIC policy?  
Did KPMG offer to update the Report? Did the IBC approach KPMG at all during the last 3 weeks?  
If not, why not? If so, what was said?

## 2. The IBC will not engage with 360 Capital to give ANI Unitholders certainty of the additional 10 cents Cash Payment

- 360 Capital met with Mr Rod Pearse, Independent Chairman of ANI, on Friday, 17 July 2015 and expressed willingness to pay 10 cents per ANI Unit to all accepting ANI Unitholders by removing the Cash Payment Condition immediately if agreed to by the IBC.

Shouldn't the IBC led by Mr Pearse work with 360 Capital to secure the additional 10 cents per ANI Unit for ANI Unitholders as a matter of priority? How is such conduct consistent with acting in the best interests of non-associated ANI Unitholders?

## 3. Significant leasing risk within ANI still not addressed by Fife Funds

As the largest unitholder in ANI, TIX is extremely concerned about Fife Funds' ability to manage the FY16-FY18 lease expiries representing over 50% of ANI's portfolio, notably:

- 3 months has passed since ANI announced it had an indicative non-binding heads of agreement to lease space at its Keon Park asset and neither the name of the tenant nor an executed lease have been disclosed to ANI Unitholders;
- Over 2 months has passed since ANI announced it had an indicative non-binding heads of agreement to lease at its Dandenong South asset. Once again, neither the name of the tenant nor an executed lease has been disclosed to ANI Unitholders, meaning leasing remains a risk; and

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<sup>1</sup> The increase is based on the TIX Offer consideration relative to the value of ANI Units and results from the ANI Unit value being reduced on account of ANI paying a distribution for the six months to 30 June 2015 of 9.6 cents per ANI Unit, relative to the TIX June quarter distribution of 5.5 cents per equivalent ANI Unit. ANI Unitholders who accept the TIX Offer prior to 28 September 2015 will receive the ANI distribution for the six months ending 30 June 2015 of 9.6 cents per ANI Unit PLUS the cash payment of 4.5 cents per ANI Unit.

- ANI Unitholders need to understand that without confirmation of these leases being executed and becoming binding (which we would have expected by now) the leasing risk ANI faces from FY16 to FY18 still exists as seen in the following charts:



The ANI lease expiry profile casts doubt as to whether ANI's distributions are sustainable. In contrast, 360 Capital has leased over 362,000 square metres of space within the TIX portfolio since it took over management of the vehicle. TIX has addressed its leasing risk and provides earnings certainty. TIX's lease expiry profile demonstrates that TIX distributions are sustainable.

## The TIX Offer

To date, over 31% of ANI Unitholders have accepted the TIX Offer to create a larger, more profitable, more diversified and lower risk industrial AREIT. 360 Capital remains committed to combining ANI and TIX so that those investors who have accepted the TIX Offer can share in the strategic benefits and value of the Combined Group.

360 Capital reiterates the following in relation to the TIX Offer:

- TIX Offer has been extended to 5.00pm (AEST) **28 September 2015** to enable you to accept the TIX Offer
- The relative Implied Value has now increased by 4.1 cents per ANI Unit<sup>1</sup>
- The TIX Offer is unconditional meaning when you accept the TIX Offer you will receive 0.90 TIX Units and 4.5 cents cash for each ANI Unit you own within five business days of valid acceptance
- If TIX Offer acceptances reach over 50% or a 360 Capital entity is appointed responsible entity of ANI during the offer period you will be entitled to receive 10.0 cents cash per ANI Unit. You will receive this even if the condition is satisfied after you accept the TIX Offer
- You will also receive the ANI distribution of 9.6 cents per ANI Unit for six months ended 30 June 2015 (assuming you were an ANI Unitholder on the record date for this distribution)

A summary of what you will receive if you accept the TIX Offer is shown in the following table:

What you receive if you accept the TIX Offer	Paid by	When it is received
<b>0.90 TIX Units per ANI Unit</b>	TIX	Within 5 business days of accepting TIX Offer
<b>4.5 cents cash per ANI Unit</b>	TIX	Within 5 business days of accepting TIX Offer
<b>9.6 cents being the ANI distribution six months to 30 June 2015</b>	ANI	28 August 2015
<b>10.0 cents per ANI Unit additional cash<sup>2</sup></b>	TGP	When TIX Offer acceptances reach over 50% or a 360 Capital entity is appointed responsible entity of ANI during the offer period

NOTE: the IBC will not engage with 360 Capital in respect of the removal of this condition

## How to accept the TIX Offer

To accept the TIX Offer, please sign and return the enclosed Acceptance Form using the enclosed replied paid envelope, as per the instructions on page five of the Bidder's Statement or the Acceptance Form so that your acceptance may be processed before 5.00pm (AEST) on 28 September 2015.

Further details can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au) using the TIX's ASX code "TIX", on 360 Capital's website [www.360capital.com.au](http://www.360capital.com.au), or by contacting the TIX Offer Information Line on 1800 247 697 (callers in Australia or +61 2 8024 1189 (callers outside Australia) between 8.30am and 5.30pm (Sydney time) on Business Days.

Yours sincerely,



**David van Aanholt**

Independent Chairman

360 Capital Investment Management Limited as responsible entity for the 360 Capital Industrial Fund

<sup>2</sup> Subject to satisfaction of the Cash Payment Condition