

360 Capital Office Fund

18 February 2015

HY15 Financial Results – Asset and Income Enhancement

360 Capital Investment Management Limited as Responsible Entity of the 360 Capital Office Fund (“Fund” or ASX Code: “TOF”) is pleased to announce the Fund’s financial results for the six months ending 31 December 2014.

HY15 Highlights

- Partial reinvestment of Burwood proceeds with the \$46.5 million acquisition¹ of Botanicca 8, 576 Swan Street, Richmond, VIC
- Post period signing of a new 10 year lease over 1,396sqm of previously rental guarantee space at Kingsford Smith Drive
- Increased WALE² to 4.7 years from 4.2 years and maintained 100.0% occupancy³
- Post period reduction of all-in interest cost⁴ by 50bp to 4.1%, fixed for five years
- On-market buy back of 4.4 million units (during and post period) provided an accretive investment for the Fund
- 2015 Financial Year (FY15) forecast operating earnings of 18.4 cents per unit (cpu) and FY15 forecast distribution of 17.0cpu
- Distributions forecast to be approximately 76% tax deferred in FY15.

Property Portfolio

The Portfolio maintained 100.0% occupancy³ over the period with the acquisition¹ of B8, 576 Swan Street, Richmond VIC, increasing the WALE of the portfolio from 4.2 years to 4.7 years. The Fund has no expiries within FY15, with a key focus on the Department of Environment at 33 Allara Street whose lease expires in December 2015. As no formal lease agreement has been reached, the Fund has commenced a formal leasing campaign for the Department of Environment tenancy.

The WACR⁵ of the portfolio firmed from 8.70% to 8.25% as a result of the acquisition¹ of B8, 576 Swan Street, Richmond VIC. The Fund’s other properties were valued by the Directors as at 31 December 2014 and remained in line with previous external valuations as at 30 June 2014.

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¹ As at 31 December 2014, the Fund had exchanged conditional contracts for the acquisition of B8, 576 Swan Street, Richmond. The acquisition was settled on 17 February 2015.

² WALE: weighted average lease expiry by Income.

³ Occupancy by area, including the acquisition of B8, 576 Swan Street, Richmond VIC post period and excluding the sale of 53-56 Railway Parade, Burwood during the period.

⁴ All-in interest cost includes interest rate swaps, margin and line fees.

⁵ WACR: weighted average capitalisation rate by value.

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Property acquisition and disposal

During the Initial Public Offering (IPO) in April 2014, the Fund identified significant residential upside in its only non-core asset 52-56 Railway Parade, Burwood. Shortly after listing, the Fund launched an on-market sales campaign to dispose of the asset. The Fund exchanged contracts in June 2014 for a sale price of \$80.0 million, reflecting a premium of 23.1% or \$15 million to its December 2013 book value. The Fund subsequently settled the sale of the asset in October 2014.

The sale removed much of the Fund's leasing risk and on-going capital expenditure requirements whilst increasing the Fund's net tangible assets (NTA) per Unit. The sale provided the Fund with significant debt capacity to pursue higher quality suburban assets with superior income streams.

On 16 December 2014 the Fund exchanged conditional contracts for the acquisition of B8, 576 Swan Street, Richmond VIC for \$46.5 million. The acquisition provides the Fund with a newly constructed A-grade suburban asset in the Melbourne suburb of Richmond. The property is 100.0% leased to GE Capital Finance and Forever New Clothing with a WALE of 7.2 years. The property was externally valued as at 28 November 2014 for \$46.5 million reflecting an initial yield of 7.70%. The property was subsequently settled on the 17th of February 2015 using the Fund's existing debt capacity, increasing the Fund's gearing from 4.3% to 29.7%, well within its target gearing range of 30% to 45%.

The Fund will continue to focus on A-grade suburban office assets to provide Unitholders with security of income.

Capital management and funding

As part of the IPO and ASX listing, the Fund entered into a new \$100.0 million syndicated debt facility with Bankwest and National Australia Bank (NAB). The net proceeds of the Burwood sale were used to pay-down debt. As at 31 December 2014, the debt facility was drawn to \$10.5 million, which represented a gearing⁶ ratio of 4.3% based on the most recent external valuations.

On 5 December 2014, Unitholders approved an on-market buy-back of up to 15.0% or 11,655,018 of Units on Issue. The Fund commenced the on-market buy back on 22 December 2014 acquiring 405,190 Units at a volume weighted average Price (VWAP) of \$2.06 per Unit. The buy-back was funded by a mixture of debt and cash. A further 4,015,177 units were bought back at \$2.06 per Unit in January 2015 bringing the total number of units bought back since 5 December 2014 to 4,420,367 (5.7%) of Units on issue.

On 16 January 2015, the Fund reset the interest rate swap agreements with NAB and Bankwest. The new swap agreements extended the duration from May 2017 to January 2020, are for a reduced total notional value (from \$86.5 million to \$70 million) and reduced the Fund's all-in interest cost from 4.6 to 4.1%⁷.

On 22 January 2015 the Fund chose to reduce the syndicated debt facility limit from \$100 million to \$80 million in order to take advantage of reduce line fees.

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⁶ Gearing: Borrowings less cash divided by total assets less cash.

⁷ On a pro forma basis, post settlement of the property situated at B8, 576 Swan Street, Richmond VIC.

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Summary and outlook

The low interest rate environment has continued to increase investor demand in commercial office assets, however there remains a disconnect between capital markets and real estate fundamentals as tenant demand remains somewhat subdued in line with the broader economy.

The Fund is well placed to take advantage of both on and off market transaction opportunities, utilising 360 Capital Group's reputation and network to continue to grow and diversify the Fund's earnings base.

The Fund confirms previous FY15 guidance **of operating earnings of 18.4cpu and distributions of 17.0cpu.**

More information on the Fund can be found on the ASX's website at www.asx.com.au using the Fund's ASX code "TOF", on the Fund's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1800 182 257, emailing investor.relations@360capital.com.au or calling:

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About 360 Capital Office Fund (ASX code TOF)

360 Capital Office Fund is the only ASX-listed office sector A-REIT focused on suburban A grade and CBD B grade rent collecting properties in Australia in the \$30.0 to \$100.0 million asset value range. The Fund has a diversified \$220 million portfolio of four quality assets, a weighted average lease expiry of 4.7 years, occupancy of 100.0%, gearing of approximately 29.7% and a forecast FY15 distribution of 17.0cpu. 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 with a co-investment stake of circa 30% to ensure ongoing alignment of interests with Unitholders..

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 \$950 million on behalf of over 8,300 investors and has over \$134 million worth of co-investments across the 360 Capital Group.
