

360 Capital Industrial Fund

19 August 2015

FY15 FULL YEAR RESULTS

360 Capital Investment Management Limited (360 Capital) as Responsible Entity for the 360 Capital Industrial Fund (Fund or ASX code: TIX) is pleased to announce the Fund's results for the year ending 30 June 2015.

Financial management

- Operating earnings of 22.8 cents per Unit (cpu) up 10.7% on FY14
- Distributions of 21.0 cpu was up 12.9% on FY14 and approximately 70% tax deferred
- Net Tangible Assets (NTA) per Unit increased by 5.9% to \$2.34 from \$2.21 in FY14

Portfolio management, acquisitions / disposals

- Occupancy of 99.7%
- WALE¹ of 5.3 years
- Portfolio values increased by 6.6% on a like-for-like basis
- Acquisitions of five properties for a total of \$155.3 million
- Disposal of \$4.5 million of non-core assets with a further \$10.5 million exchanged post period

Capital management

- Gearing ²reduced to 40.0% from 42.1% in FY14 and is now sub 40% (post period)
- Debt facility extended, debt margins reduced and interest rate swaps reset
- Raised \$141.2 million of new equity including two fully underwritten DRPs³

ANI takeover

- Launched takeover bid for Australian Industrial REIT (ASX code: ANI).
 - TIX has a beneficial interest of 33% of ANI as at 19 August 2015

Pricing metrics

- ASX closing price 30 June 15 of \$2.41 per Unit reflected
 - slight premium to NTA per Unit of 3.0%
 - Forecast FY16 annualised distribution yield of 8.9%
 - Forecast FY16 annualised earnings yield 9.2%
 - FY15 total Unitholder return of 18.2%

¹ WALE: Weighted Average Lease Expiry

² Gearing: Borrowing less cash divided by total assets less cash

³ DRP: Distribution Reinvestment Plan

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Strategy

The Fund's strategy is unchanged with a focus on acquiring and managing passive industrial assets. Since listing, the Fund has acquired 11 assets for \$273.0 million showing long WALEs, high occupancy and attractive yields. Gross assets for the Fund have grown from \$365.9 million in 2014 to \$623.2 million in 2015 achieved not only through acquisitions but also organic growth through fixed rent reviews and actively managing pending expiries and tenant requirements.

360 Capital is committed to making TIX a meaningful investment proposition with a stated target of inclusion in the S&P/ASX 200 AREIT Index over the near to medium term. TIX is on track to deliver this, having acquired over \$155.3 million of assets in FY15 and launched a takeover offer for ANI comprising \$320.0 million of industrial assets, which if completed is expected to result in a market capitalisation of \$509.7 million.

360 Capital's co-investment in TIX has grown to 17.4% with its long term view of owning between 10% and 15%. Gearing continues to reduce with a target of remaining below 40%. 360 Capital remains resolute to provide Unitholders with consistent and growing returns as evidenced by a 7.7% pa average distribution growth since 2012 and significant outperformance of the S&P / ASX 300 AREIT (Index).

It is evident that the market clearly supports TIX's strategy with a total unitholder return of 73% since taking over management, significantly outperforming the Index over the same period by 25%.

Financial management

Earnings & distributions

Statutory net profit of \$43.9 million was 4.7% above FY14 driven by acquisitions and valuation gains.

Operating earnings of \$28.2 million, up significantly from \$19.2 million in FY14, was driven by higher property income from acquisitions, fixed rental increases, lower finance costs and the investment in ANI.

Underlying earnings certainty has provided DPU growth of 12.9% on FY14.

Assets & liabilities

Acquisitions of \$155.3 million, external valuation gains of \$35.0 million and the \$68.8 million investment in ANI have increased the total assets of the Fund by 70.3% to \$623.2 million.

The Fund has \$52.0 million of available debt capacity for acquisitions and/or capital management initiatives and has been trending gearing down to below 40%. In February this year the Fund reset its "out of the money" interest rate swaps.

Despite raising \$141.2 million of equity and issuing an additional 60.9 million units, the Fund's NTA has increased 5.9% over FY15 to \$2.34 per Unit.

Whilst the \$68.8 million investment in ANI is a significant sum, it only represents 11.0% of TIX's gross asset value and therefore does not materially affect the Funds overall composition and strategy.

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Portfolio management, acquisitions / disposals

The Fund's lease expiry profile is defensive with minimal expiries of 9.1% expiring in FY16 and a further 12.1% expiring in FY17. 360 Capital has a proven ability to deal with lease expiries early and this has helped keep the portfolio's occupancy above 99.0% and the WALE above 5 years.

There is good visibility on major FY16 expiries at Oakleigh South, Villawood and Hallam having either been leased, renewed or agreed terms on a disposal.

Like for like net property income growth was 1.0% for FY15 impacted by the unexpected termination and vacancy of the Deliver tenancy at Derrimut and the new rent being reset to market. Offsetting this was fixed growth from the Fund's underlying income profile which has over 80% of the property portfolio subject to fixed rent reviews averaging 3.2%.

The Fund acquired five assets for a combined \$155.3 million in FY15. This included a Woolworths portfolio with assets in NSW and QLD, the Greens Foods facility, Yamaha's Australian headquarters and Bradnams Windows & Doors facility also in QLD.

The Fund undertook external independent valuations in October 2014 and March 2015 and resulted in a \$35.0 million or 10.8% increase in asset values which helped drive NTA growth of 5.9% to \$2.34 per Unit. The Funds WACR now stands at 7.95%.

Capital management

Bankwest joined the multi option debt facility alongside NAB. The facility term was extended to December 2017 and the facility limit increased to \$305.0 million, providing adequate debt capacity for further acquisitions and capital management initiatives.

Two new interest rate swaps totalling \$230.0 million were entered into at an average rate of 2.65% plus margin and are hedged for an average of 4.4 years and the Funds all in debt cost is now circa 3.95%.

Gearing has continued to trend down through asset sales, valuation uplift and the deployment of DRP proceeds. The Fund remains comfortably within its debt facility covenants and as the Fund has grown in size we have revised the target range to 35.0% to 45.0% with gearing now below 40.0%.

ANI takeover

The Offer to acquire 100% of ANI is accretive to TIX's earnings and distributions and will reduce overall gearing. In addition to this, the Combined Group is expected to benefit from increased liquidity, increased scale, diversification and likely inclusion into the S&P/ASX AREIT 200 Index. With this will come the potential of a broadened investor base and a lower cost of capital through a re-rating which will lead to a greater potential for EPU and DPU growth.

Total assets will be in excess of \$900.0 million and the market capitalisation will be ~\$509.7 million and as a combined group, will be the largest pure industrial AREIT on the ASX.

As at 19 August TIX owned in excess of 33% of ANI representing an investment of some \$68.8 million which is about 11.0% of TIX's gross asset value.

360 Capital continues to monitor investment opportunities for the Fund. 360 Capital remains committed to acting in the best interest of TIX and ANI Unitholders and bringing ANI and TIX together.

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Outlook & guidance

The outlook for the Fund is positive. Recent transaction activity and a forecast continuation of investment demand chasing yield in a low interest rate environment bodes well for industrial property.

However, patchy occupier demand and soft macro-economic factors are at odds with a seemingly insatiable appetite for industrial property leading to, in some instances, a mispricing of risk reflected in strong yields which for TIX appear challenging to justify. Strong investment demand shows no sign of letting up and this may provide the opportunity to dispose of smaller assets given the Fund's expanding asset base.

Strong competition will lead to premiums being offered for portfolios as institutions and new entrants look for immediate scale. TIX will remain disciplined in its approach to acquisitions and remain appropriately capitalised, continuing to reduce gearing in a responsible manner.

360 Capital remains committed to bringing TIX and ANI together however will not lose sight of ensuring TIX continues to be true to label and deliver superior returns of earnings per Unit (EPU) and distribution per Unit (DPU) growth to Unitholders.

TIX is **forecasting FY16** operating earnings of **22.2 cpu** and distributions of **21.5 cpu**.

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

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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 \$10.0 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 5.3 years, occupancy of 99.7%, distributions tax deferred at approximately 70% and a forecast FY16 distribution of 21.5cpu. 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.

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 10,000 investors and has over \$190 million worth of co-investments across the 360 Capital Group.
