

360 Capital Office Fund

19 August 2015

FY15 FINANCIAL RESULTS

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

Financial management

- Operating earnings per Unit ('EPU') of 18.5 cents in line with guidance and
- Distributions per Unit ('DPU') of 17.0 cents in line with guidance and approximately 79% tax deferred
- Net Tangible Assets ('NTA') of \$2.14 per Unit unchanged from FY14

Portfolio management, acquisitions / disposals

- The Department of Environment ('DoE') at 33 Allara Street, Canberra ACT has extended its lease for a period of 12 months at the current passing rental, providing secure cash flow for the Fund
- 98.5% occupancy; 4.6 year weighted average lease expiry ('WALE')
- Completed the sale of 52 Railway Parade, Burwood for \$80.0 million reflecting a 32.7% or \$19.7 million premium to the FY13 book value
- Partially reinvested the Burwood proceeds into the acquisition of Botannica 8, Richmond VIC for \$46.5 million

Capital management

- Gearing reduced to 28.7% from 31.9% via application of part proceeds from Burwood sale
- Restructured senior debt, reducing interest costs by 50bp to 4.1%
- Increased the weighted average hedge term to 4.5 years
- Approval to buy-back up to 15.0% of Units on issue; (4.4 million units bought back providing an accretive investment)

Property valuations

- Net valuation increases of \$6.1 million and a firming of the weighted average capitalisation rate ('WACR') to 7.8% from 8.7% in FY14

Pricing metrics

- ASX closing price of \$2.11 per Unit as at 30 June 2015 represents:
 - A slight 1.4% discount to NTA per Unit of \$2.14
 - Forecast FY16 annualised distribution yield of 8.1%
 - Forecast FY16 annualised earnings yield of 8.8%
 - FY15 total Unitholder return of 15.4%

360 Capital Office Fund

Strategy

The Fund remains focused on generating long-term sustainable earnings and distribution growth through the acquisition and management of high quality, well leased suburban office assets.

360 Capital is committed to TOF becoming a meaningful investment proposition and is targeting S&P/ASX 300 AREIT Index inclusion over FY16/17.

Financial management

FY15 operating earnings were \$14.0 million or 18.5 cents per Unit ('cpu') with FY15 statutory profit of \$12.4 million. Statutory profit was lower than operating earnings due to transaction costs and losses on derivatives offset by positive net revaluations.

FY15 distributions were in line with guidance of 17.00 cpu.

Gross assets decreased as a result of the acquisition of Botanicca 8, 576 Swan St, Richmond, Victoria for \$46.5 million being less than the proceeds from the disposal of Burwood for \$80.0 million. Surplus proceeds from the sale of Burwood were used to pay down debt, reducing liabilities by \$18.9 million to \$73.7 million.

NTA remained unchanged at \$2.14 per Unit due to the reduction in Units on issue and positive net revaluations offsetting transaction costs and losses on derivatives.

Portfolio management, acquisitions / disposals

The major focus of the Fund's leasing efforts during FY15 was the renewal of the major tenant Department of Environment ('DoE') at 33 Allara Street, Canberra, ACT. The DoE's lease was due to expire in December 2015. Following 360 Capital's active lease management and prolonged negotiation with the tenant, the Fund has agreed a 12 month extension and further 12 month option term (subject to a minimum 6 months notification) at the passing rental.

Importantly, the extension removes FY16 expiry, with the first lease expiry in the Fund now not until December 2016. It provides certainty on the Fund's FY16 earnings, moving the expiry to a time in the market where limited new supply and stronger tenant demand is expected. The Fund will maintain its focus on the longer term leasing strategy for the asset and continues to investigate the potential for alternate uses given the asset's strategic location in the Canberra CBD.

During its Initial Public Offering ('IPO') 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 32.7% or \$19.7 million over the 30 June 2013 book value subsequently settling the sale of the asset in October 2014.

360 Capital Office Fund

The sale removed much of the Fund's leasing risk and on-going capital expenditure requirements and increased the Fund's NTA. 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 6.8 years (by income) as at 30 June 2015. The property was subsequently settled on 17 February 2015 using the Fund's existing debt capacity.

The Fund will continue to assess acquisitions of quality suburban office asset and whilst the direct market remains challenging, the Fund will continue to explore strategic opportunities to achieve greater relevance and sustainable long term Unitholder EPU and DPU growth.

Capital management

On 5 December 2014, Unitholders approved the on-market buy-back of up to 15.0% or 11.7 million 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 of \$2.06 (a total cash consideration of \$834,691). A further 4,015,177 units (\$8,270,675) were bought back and settled in January 2015, bringing the total number of units bought back since 5 December 2014 to 4,420,367 (5.7%).

The buy-back remains open for a period of twelve months and the Fund will continue to monitor the trading price of the Fund and opportunistically acquire Units.

In January 2015, the Fund reset the interest rate swap agreements with National Australia Bank and Bankwest. As an interim measure and in order to reduce facility fees, the Fund elected to reduce its facility limit from \$100.0 million to \$80.0 million. The new swap agreements have an extended term (from May 2017 to January 2020), a reduced total notional value (from \$86.5 million to \$70 million) and have reduced the Fund's all-in interest cost¹ from 4.6% to 4.1%.

Property valuations

Independent revaluations were undertaken for three of the Fund's assets as at 31 March 2015, resulting in a \$10.6 million or 4.8% increase on prior book values. This valuation uplift was partially offset by a \$4.5 million negative revaluation of 33 Allara Street, Canberra, ACT as at 30 June 2015, with net revaluation increases of \$6.1 million.

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

360 Capital Office Fund

Outlook & guidance

The Fund's operational strategy for FY16 is to execute on the long-term asset strategy at 33 Allara Street and continue to focus on expanding and diversifying the Fund's asset base. It remains a strategic objective of the Fund to achieve a greater relevance and entry into the S&P/ASX 300 AREIT Index.

TOF is forecasting FY16 **operating EPU** of approximately **21.0 cents per Unit** and **FY16 DPU** of **17.0 cents per Unit**.

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 by contacting:

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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 to \$100 million asset value range. The Fund has a diversified \$226.1 million portfolio of four quality assets, a weighted average lease expiry of 4.6 years, occupancy of 98.5%, gearing of approximately 28.7% and a forecast FY16 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 17 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.
