

360 Capital Industrial Fund

24 February 2015

TIX Independent Chairman's Letter to ANI Unitholders: ANI Unitholder briefing dates corrected

Please find attached the amended letter dispatched to Australian Industrial Trust (ASX: ANI) Unitholders by 360 Capital Investment Management Limited as responsible entity for the 360 Capital Industrial Fund (ASX: TIX) where the dates for the ANI Unitholder briefings in Sydney and Melbourne were corrected.

More information on the Fund can be found on the ASX's website at www.asx.com.au using the Fund's ASX code "TIX", on the Fund's website www.360capital.com.au, or 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 \$10.0 million plus range. The Fund has strong, defensive, income-focused investment fundamentals via a diversified \$526 million portfolio of 22 quality assets, a weighted average lease expiry of 5.8 years, occupancy of 99.9%, distributions tax deferred at approximately 50% to 60% and a forecast FY15 distribution of 20.0cpcu. 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 \$950 million on behalf of over 8,300 investors and has over \$134 million worth of co-investments across the 360 Capital Group.

23 February 2015



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Dear ANI Unitholder,

IMPORTANT UPDATE TO AUSTRALIAN INDUSTRIAL REIT (ANI) UNITHOLDERS

- **360 CAPITAL INDUSTRIAL FUND (TIX) INCREASES COMBINED GROUP FORECAST FY16 DISTRIBUTION**
- **TIX ESTABLISHES AN ACCEPTANCE FACILITY**
- **TIX WILL DECLARE TIX OFFER UNCONDITIONAL IF ACCEPTANCES REACH AT LEAST 30% OF ANI UNITS**
- **TIX TO HOLD ANI UNITHOLDER BRIEFINGS IN MELBOURNE AND SYDNEY**

You will have recently received a Bidder's Statement in relation to the proposed off-market takeover of Australian Industrial Fund (ASX code: ANI) by 360 Capital Industrial Fund (ASX code: TIX) (the **TIX Offer**).

You may also have received a letter dated 17 February 2015 from the Independent Chairman (Mr. Rod Pearse) of Fife Capital Funds Limited (your current responsible entity) in relation to the TIX Offer.

1. Current Situation

The Bidder's Statement outlines the offer by TIX to acquire all your ANI Units and contains the key reasons you should accept the TIX Offer, including:

- **Attractive premium** to ANI's recent trading prices
- **TIX has a well capitalised and aligned manager** with a \$27.0 million (12.9%) co-investment in ANI
- **TIX has outperformed** the S&P/ASX 300 A-REIT Accumulation Index providing a total unitholder return of 44.7% since ANI's listing in October 2013, while ANI has underperformed the Index, returning 27.1% over the same period
- **TIX has a strategy to address ANI's significant earnings risk** where 54.2% of ANI's leases expire in FY16, FY17 & FY18 which may impact ANI's ability to maintain its level of distributions.

You should also be aware that Fife Capital Group (which includes your current responsible entity):

- **Stands to lose** in excess of \$2.5 million p.a. in fees from managing your fund and the properties while it (and its associates) owns only 0.6% of ANI Units.
- **Is diluting your NTA.** While your responsible entity is obliged to seek to obtain the best possible outcome for you, it is spending over \$4.4 million (4.6cpu) of your funds in defending the TIX Offer, reducing ANI's NTA per Unit from approximately \$2.06 to \$2.01.
- **Is unwilling to engage with 360 Capital to discuss the offer that is to your benefit.** TIX's offer has been public for two months. During this time, TIX has repeatedly attempted to engage with Mr. Pearse in relation to the offer, only to be denied. I invite Mr. Pearse to engage constructively in respect of the TIX Offer, particularly having regard to the benefit to you of being able to participate in TIX's March 2015 quarterly distribution of 4.5 cents per equivalent ANI Unit.

2. TIX will remove all conditions if greater than 30% of acceptances are received

To provide greater certainty that the TIX Offer will proceed, TIX will establish an Institutional Acceptance Facility (IAF). TIX will declare the TIX Offer unconditional where valid acceptances lodged under the TIX Offer and valid acceptance instructions provided under the IAF in aggregate relate to at least 30% of ANI Units on issue. Acceptances lodged under the IAF will only be binding if the offer becomes unconditional.

3. **TIX increases its FY16 distribution forecast for the Combined Group from 21.3cpu to 21.6cpu (19.2 cents per equivalent ANI Unit)**

ANI Unitholders accepting the TIX Offer are now forecast to receive the same distribution in FY16 in the Combined Group as compared to ANI on a stand-alone basis, whilst also benefiting from the Combined Group's improved earnings and distribution risk profile.

4. **ANI Unitholder Briefings**

Fundamental to 360 Capital's management approach is to ensure effective communication with its investors. 360 Capital will be conducting two ANI Unitholder briefings to allow us to answer any queries you may have. The briefings will be held on the following times and venues and we invite you to attend:

Sydney ANI Unitholder Briefing	Melbourne ANI Unitholder Briefing
10am, Wednesday 11 March 2015	11am, Friday 13 March 2015
Museum of Sydney Cnr. Bridge & Phillip Streets, Sydney	The Westin Melbourne 205 Collins Street, Melbourne.

5. **How to accept the TIX Offer**

ANI Unitholders are encouraged to **ACCEPT THE TIX OFFER** in order that they may receive the advantages outlined above and in the Bidder's Statement.

If you accept the TIX Offer by 24 March 2015 (and all conditions have been satisfied or waived) you will be entitled to TIX's March 2015 quarterly distribution equivalent to 4.5 cents per equivalent ANI Unit in addition to the Offer Consideration.

To accept, please complete and sign the Acceptance Form enclosed with the Bidder's Statement and return using the replied paid envelope, as per the instructions on page 5 of the Bidder's Statement.

For details on the TIX Offer, including the key points in this letter please refer to the Bidder's Statement (as amended¹).

Further details can be found within the Bidders Statement, the ASX's website at www.asx.com.au using the Fund's ASX code "TIX", on the Fund's website 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

¹ A Supplementary Bidders statement was released to the market on 23 February 2015. This contains important information in relation to the Institutional Acceptance Facility and the revised distribution forecasts, including the relevant assumptions.

ACCEPT TIX OFFER NOW

	COMBINED GROUP	ANI (existing)	RESULT
TIX CONSIDERATION PREMIUM ² :	\$2.45 implied price value per equivalent ANI Unit	\$2.30 ANI's closing price on 2 February 2015	✓
CASH PAYMENT ³ :	\$0.03	NIL	✓
TOTAL PREMIUM:	\$2.48 total implied value per equivalent ANI Unit	\$2.30 ANI's closing price on 2 February 2015	✓
FY16 DISTRIBUTION GUIDANCE ⁴ :	19.2cpu (per equivalent ANI Unit)	19.2cpu	✓
MARCH QUARTER DISTRIBUTION ⁵ :	4.5cents (per equivalent ANI Unit)	ANI pays half yearly distributions	✓
INDEX ⁶ PERFORMANCE:	<u>OUT</u> performed 44.7% return	<u>UNDER</u> performed 27.1% return	✓
MANAGER'S CO-INVESTMENT ⁷ :	\$72million	\$1million	✓
SCALE – TOTAL ASSETS ⁸ :	\$844million	\$320million	✓
QUALITY OF EARNINGS & DISTRIBUTIONS ⁷ :	Larger, diversified portfolio dilutes risk of expiries	Significant leasing risk may affect sustainability of ANI's earnings & distributions	✓
LEASE EXPIRY STRATEGY ⁷ :	Non-core asset sales identified to mitigate risk	NIL	✓

² Based on the closing price of TIX and ANI units on 2 February being the day before the Bidder's Statement was lodged of \$2.75. The implied value will change according to movements in the ASX market value of TIX units. The 4-day VWAP of TIX Units between 2 February and 28 January 2015, being the date ANI announced its FY15 distributable earnings guidance and the last date any material price-sensitive announcement was made by either TIX or ANI prior to the date of the Bidder's Statement, was \$2.71. Refer to page 8 of the Bidders Statement.

³ Payment of Cash Payment is subject to satisfaction of the Cash Payment Condition. Refer to Bidders Statement for further detail.

⁴ Refer to the Bidder's Statement as amended by the Supplementary Bidder's Statement released on 23 February 2015 for further details and relevant assumptions

⁵ If on or before 24 March 2015 you accept the TIX Offer and the Conditions are satisfied or waived, you will be issued TIX units in time to receive TIX's March 2015 quarter distribution of 5.0662 cents per TIX Unit or 4.5 cents per ANI equivalent Unit. ANI has announced a forecast distribution for the half year ending 30 June 2015 of 9.6cpu

⁶ S&P/ASX 300 A-REIT Accumulation Index from 21 October 2013 (ANI's ASX listing date) to 3 February 2015

⁷ Assuming TIX acquires 100% of ANI and based on current holdings of 360 Capital, including its subsidiaries, in TIX and ANI as well as the interests of Allan Fife, Fife Capital Funds Limited and its related bodies corporate in TIX and ANI

⁸ Assumes TIX acquires 100% of ANI