

360 Capital Industrial Fund

15 July 2013

FY2013 EARNINGS UPGRADE AND FY2014 FORECAST DISTRIBUTION UPGRADE

360 Capital Industrial Fund (ASX code: TIX) (Fund) is pleased to provide the following update:

- FY2013 operating earnings per Unit (EPU) are now forecast to be circa 21.5 cents per unit (cpu), a 9.7% increase on previous FY2013 operating EPU guidance of 19.6cpu;
- Interest rate margin has decreased, saving between \$1.1 and \$1.3 million p.a.;
- As a result, distribution guidance for upcoming FY2014 has increased 3.3% to 18.6cpu compared to previous FY2014 guidance of 18.0¹cpu;
- 30 June 2013 external valuations completed on 100% of the portfolio (excluding assets held for sale) resulted in a 0.9% increase in portfolio value, equating to \$0.03 per Unit increase in NTA to circa \$1.94 per Unit²;
- The Fund will release its FY2013 results on 12 August 2013; and
- 1 for 4 Unit consolidation completed.

9.7% increase in forecast FY2013 operating earnings over previous guidance

After reviewing preliminary accounts for the year ending 30 June 2013, the Fund now expects that FY2013 operating earnings per Unit are likely to be circa 21.5cpu². This represents a 9.7% increase on previous guidance of 19.6cpu which assumed certain non-core asset sales would be completed during FY2013. In addition, property net income is expected to be slightly higher than originally forecast due to on-going leasing success during the period, together with re-classification of certain one-off costs as part of the Fund's listing in December 2012. The Fund's FY2013 distribution of 18.0¹cpu equates to a pay-out ratio of circa 84%.

Reduction in interest rate margin

As a result of the continuing improvement to the Fund's underlying property fundamentals and cashflow, and the recent capital management initiatives that reduced LVR to approximately 47.0%, the Fund has negotiated with its financier a decrease in its interest rate margin saving the Fund approximately \$1.1 million (1.15cpu) p.a. Furthermore if the Fund's LVR is below 45%, the financier has agreed to a further step down in margin which takes the annual saving from interest rate margin reductions to \$1.3 million (1.40cpu).

The Fund has also reduced its facility limit from \$210.0 million to \$180.0 million as part of the new financing arrangements.

(cont.)

¹ Adjusted for 1 for 4 Unit consolidation effective 9 July 2013

² Subject to finalisation of 30 June 2013 accounts and the Fund's audit

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3.3% increase in forecast FY2014 distributions over previous guidance

The Fund is now reviewing its forecast operating earnings for FY2014 in light of the reduction in interest rate margin, the impact of forecast asset disposals as part of the non-core asset sale process and the Fund's underlying fixed rental review structure (where over 78% of the portfolio which have an average fixed increases of 3.6% p.a.)

The Fund will provide updated FY2014 operating earnings guidance when it releases its FY2013 results on 12 August 2013. While this guidance is yet to be finalised, as a result of the above the Fund has determined to increase in FY2014 distribution guidance to 18.6cpu, an increase of 3.3% compared to the actual FY2013 distribution per Unit (DPU) of 18.0¹cpu and previous FY2014 DPU guidance of 18.0¹cpu.

Independent Valuations

The Fund has undertaken external valuations of 100% of its property portfolio (excluding properties held for sale) as at 30 June 2013 resulting in a \$3.0 million or 0.9% increase on book values. The Fund's overall weighted average cap rate (WACR) is now 8.94%, a 0.10% firming since December 2012.

The overall valuation uplift is expected to increase the Fund's NTA per Unit by circa \$0.03 to circa \$1.94 per Unit³ after writing off acquisition costs associated with the recent acquisitions at Chullora and Derrimut.

As can be seen in Appendix 1 below, material movements include:

- 37-51 Scrivener St, Warwick Farm NSW where the extension of Visy's lease for a further four years and a resetting of its rent to market levels have resulted in the cap rate firming by 0.50% and a \$3.2 million or 17.8% increase in value since December 2012.
- 310 Spearwood Avenue, Bibra Lake WA increased in value by 6.0% or \$2.5 million by virtue of a 0.26% firming of the market cap rate as a result of the removal of the break clause to CTI Freight Systems.
- 22 Hawkins Crescent and 1 Ashburn Road, Bundamba QLD both saw their cap rates firm by 0.25% resulting in an increase in value of 6.9% and 1.3% respectively.

Offsetting the abovementioned positive movements:

- A diminishing weighted average lease term to expiry (WALE) at 33-59 Clarinda Rd, South Oakleigh, and an early lease termination provision as well as continued vacancy at 6 Albert St, Preston have resulted in a decline in value of 1.9% and 1.4% respectively.

The following assets are held for sale and are considered non-core to the Fund:

- 5-9 Woomera Avenue, Edinburgh Parks SA experienced a significant reduction in value of \$3.4 million reflecting the property's vacancy from September 2013. The revised valuation reflects the limited appeal for this property from both tenants and investors as result of the significant contraction of the automotive sector in Adelaide, reinforced by recent low levels of demand from leasing and sales campaigns.

(cont.)

³ Subject to finalisation of 30 June 2013 accounts and the Fund's audit

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- 60 Marple Avenue, Villawood has been valued by Directors at \$18.7 million. The property has been identified as a non-core asset due to its inferior location, older style improvements, future releasing risk and potential future capital requirements associated with the redevelopment of Warehouse 1.
- 223-235 Barry Road, Campbellfield has been valued at \$5.0 million. Again this property is considered non-core due to its location, age, capital expenditure requirements and prolonged vacancy.

The classification of properties as non-core is in line with the Fund's stated strategy of exiting non-core properties in inferior locations and over time improving the quality of the portfolio through selective acquisitions in core industrial precincts whilst also reducing the Fund's LVR.

The valuations are tabled in Appendix 1.

Unit Consolidation

At the Unitholder Meeting held on Friday 7 June 2013, Unitholders overwhelmingly approved all three Resolutions that were put at the meeting, one of which was the Consolidation of Units on issue in the Fund and the amendment of the Constitution.

The Fund's Units have now been consolidated on the basis of 1 Unit for every 4 Units held, with fractions of a Unit being rounded up to the next whole number.

The consolidation was completed on Tuesday 9 July 2013 and statements showing the new number of Units held have been dispatched by the Fund's Unit Registry.

The Fund now has a total of 93,221,609 Units on issue post the consolidation.

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About 360 Capital Property Group

360 Capital is a property investment and funds management group concentrating on strategic investment and active investment management of property assets. The company was formed in 2006 and has been actively investing in direct property assets, property securities and various corporate real estate acquisitions within Australian real estate markets on a private equity basis. The company's 15 full time staff located in Sydney have significant property, funds and investment management experience. As at 31 December 2012, 360 Capital managed 11 investment vehicles holding assets valued at more than \$850 million on behalf of over 8,500 investors

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Appendix 1

Address	Suburb	Valuation 30 Jun 2013	Variance from Previous (\$)	Variance from Previous (%)	Book Value as @ 29 June 2013	Variance from Book Value (\$)	Variance from Book Value (%)	Previous Cap Rate	Current Cap Rate
8 Penelope Crescent	Arndell Park	\$ 14,100,000	\$ -	0.0%	\$ 14,100,000	\$ -	0.0%	8.50%	8.50%
37-51 Scrivener Street	Warwick Farm	\$ 20,900,000	\$ 3,300,000	18.8%	\$ 17,747,740	\$ 3,152,260	17.8%	10.25%	9.75%
60 Marple Avenue	Villawood	\$ 18,700,000	\$ (1,000,000)	-5.1%	\$ 19,700,000	\$ (1,000,000)	-5.1%	9.00%	9.50%
12 Dansu Court	Hallam	\$ 11,350,000	\$ -	0.0%	\$ 11,370,192	\$ (20,192)	-0.2%	9.25%	8.75%
14 Dansu Court	Hallam	\$ 14,600,000	\$ -	0.0%	\$ 14,600,000	\$ -	0.0%	9.50%	8.75%
39-45 Wedgewood Road	Hallam	\$ 8,350,000	\$ -	0.0%	\$ 8,350,000	\$ -	0.0%	9.00%	9.00%
6 Albert Street	Preston	\$ 17,000,000	\$ (200,000)	-1.2%	\$ 17,246,923	\$ (246,923)	-1.4%	10.25%	10.00%
102-128 Bridge Road	Keysborough	\$ 22,000,000	\$ 500,000	2.3%	\$ 21,500,000	\$ 500,000	2.3%	9.50%	9.25%
33-59 Clarinda Road	South Oakleigh	\$ 10,100,000	\$ (200,000)	-1.9%	\$ 10,300,000	\$ (200,000)	-1.9%	9.00%	9.25%
223-235 Barry Road	Campbellfield	\$ 5,000,000	\$ (1,400,000)	-21.9%	\$ 6,402,550	\$ (1,402,550)	-21.9%	9.00%	11.25%
40-48 Howleys Road	Notting Hill	\$ 9,300,000	\$ -	0.0%	\$ 9,317,483	\$ (17,483)	-0.2%	9.00%	8.75%
500 Princes Highway	Noble Park	\$ 19,000,000	\$ 500,000	2.7%	\$ 18,507,950	\$ 492,050	2.7%	9.25%	9.25%
5-9 Woomera Avenue	Edinburgh Parks	\$ 5,000,000	\$ (3,400,000)	-40.5%	\$ 8,400,000	\$ (3,400,000)	-40.5%	9.25%	10.50%
9-13 Caribou Drive	Direk	\$ 9,200,000	\$ -	0.0%	\$ 9,200,000	\$ -	0.0%	8.75%	8.75%
310 Spearwood Avenue	Bibra Lake	\$ 45,000,000	\$ 2,800,000	6.6%	\$ 42,472,290	\$ 2,527,710	6.0%	8.93%	8.67%
54 Sawmill Circuit	Hume	\$ 8,900,000	\$ -	0.0%	\$ 8,900,000	\$ -	0.0%	8.25%	8.50%
22 Hawkins Crescent	Bundamba	\$ 34,200,000	\$ 2,200,000	6.9%	\$ 32,000,000	\$ 2,200,000	6.9%	8.50%	8.25%
1 Ashburn Road	Bundamba	\$ 30,700,000	\$ 400,000	1.3%	\$ 30,302,490	\$ 397,510	1.3%	8.75%	8.50%
457 Waterloo Road	Chullora	\$ 17,300,000	\$ -	0.0%	\$ 17,300,000	\$ -	0.0%	9.25%	9.25%
69 Studley Court	Derrimut	\$ 20,000,000	\$ -	0.0%	\$ 20,000,000	\$ -	0.0%	8.00%	8.00%
		\$ 340,700,000	\$ 3,500,000	1.0%	\$ 337,717,618	\$ 2,982,382	0.9%	9.04%	8.94%