

10 May 2013



Dear Member,

## **Meeting of Members on Friday 7 June 2013**

On behalf of 360 Capital RE Limited (360 Capital), the responsible entity of the 360 Capital Industrial Fund (Fund), I am pleased to enclose a Notice of Meeting and Explanatory Memorandum in relation to a meeting of Members of the Fund called to consider three essential Resolutions:

**Resolution 1:** Appoint another 360 Capital entity as the Fund's new Responsible Entity

**Resolution 2:** Ratify the 11 April 2013 institutional placement

**Resolution 3:** Consolidate the number of Units on issue and amend the Constitution

These Resolutions represent the final stage of the Fund's transition from an illiquid and unknown Fund with a very uncertain future, to a listed A-REIT well supported by institutional investors based on expected future performance. With the Fund's trading price currently at \$0.50 per Unit, we are extremely pleased with the Fund's transition to date, and that we have been able to deliver on the strategies outlined to Members during 2012.

**360 Capital believes the Resolutions are in Members' best interests and recommends you VOTE IN FAVOUR of the Resolutions**

Approval of the Resolutions is expected to have the following benefits for Members:

- Appointing another 360 Capital entity as the new Responsible Entity will not materially impact how the Fund is managed as there will be no change in corporate governance, financial and other resources, investment management staff, procedures or strategies and it is expected there will be cost savings
- Ratifying the April 2013 institutional placement will refresh the Fund's capacity to raise further equity for suitable investment opportunities and/or general capital management initiatives. Like the April 2013 placement which reduced the Fund's debt and brought the Fund into mainstream A-REIT market awareness thereby increasing the Fund's trading price, future placements will only be undertaken if they are expected to be in the best interests of Members.
- Consolidating the number of Units on issue through the conversion of every four Units into one Unit in the Fund will not materially change a Member's percentage holding in the Fund and is expected to increase the Fund's appeal to A-REIT investors via an expected reduction in volatility in Unit price and better alignment with the Fund's A-REIT peers.

Please read the Notice of Meeting and Explanatory Memorandum carefully when considering your vote. If you are in any doubt regarding how to vote, you should seek your own professional financial advice without delay.

**I urge you to vote either online, by filling out and mailing the enclosed Proxy Form or in person.** Based on the high threshold of votes required, *not* voting will increase the likelihood that the Resolutions are not approved which will limit the future performance of your investment.

**We look forward to welcoming you at the meeting.** If you are unable to attend the meeting in person, please fill out the Proxy Form enclosed and return it using the contact details on the voting form **no later than 10.00am (AEDT), Wednesday 5 June 2013**. Should you have any questions in relation to the Meeting, please do not hesitate to call the 360 Capital investor enquiry line on 1800 182 257 or email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au)

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Tony Pitt'.

Tony Pitt

**Managing Director**

**360 Capital RE Limited**



## Notice of Meeting and Explanatory Memorandum

# 360 CAPITAL INDUSTRIAL FUND

ARSN 099 680 252

Issued by 360 Capital RE Limited ABN 62 090 939 192  
AFSL 223739 as responsible entity of  
360 Capital Industrial Fund ARSN 099 680 252

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote. If you are in any doubt about what to do, you should consult your legal, investment, taxation and other professional adviser without delay.

The Responsible Entity recommends that  
you vote in FAVOUR of the Resolutions.

## Important Notices

### What is this document?

This Notice of Meeting and Explanatory Memorandum is dated 8 May 2013 and is issued by 360 Capital RE Limited ABN 62 090 939 192 in its capacity as responsible entity of 360 Capital Industrial Fund ARSN 099 680 252 (Fund).

The purpose of this Notice of Meeting and Explanatory Memorandum is to provide information about the proposed change of Responsible Entity, the proposed refreshment of the Fund's capacity to issue new Units, the proposed consolidation of the number of Units on issue (which will involve a proposed amendment to the Constitution) and to provide such other information considered material to the decision of Members in determining how to vote on the Resolutions. All information in this document forms part of the Notice of Meeting.

### No investment advice

The information contained in this Notice of Meeting and Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs. It is important that you read the Notice of Meeting and Explanatory Memorandum in its entirety before making any investment decision and any decision on how to vote on the Resolutions.

### Defined terms

Capitalised terms used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary in section 7. All times expressed in this Notice of Meeting and Explanatory Memorandum refer to Australian Eastern Standard Time (AEST) and references to dollars, \$, cents or ¢ are to Australian dollars.

### Any questions?

If you have any questions about your holding of Units or the Resolutions, please contact the 360 Capital Investor Services on 1800 182 257. If you are in any doubt on how to vote on the Resolutions or the action to be taken, you should contact your financial, legal, tax or other professional adviser without delay.

## Meeting details and important dates

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Last date and time for receipt of Proxy Forms	10.00am Wednesday 5 June 2013
Date and time to determine your eligibility to vote at the Meeting	10.00am Thursday 6 June 2013
Date and time of Meeting	10.00am Friday 7 June 2013
Place	The Grace Hotel Corner of York & King Streets 77 York Street Sydney NSW 2000 Australia

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# Notice of Meeting

## 360 Capital Industrial Fund

NOTICE IS HEREBY GIVEN by 360 Capital RE Limited ABN 62 090 939 192 AFSL 223739 as responsible entity of 360 Capital Industrial Fund ARSN 099 680 252 (Fund) pursuant to section 252A of the Corporations Act that a meeting of Members in the Fund will be held at the time, date and place detailed below, or such later time and date as notified to Members, to consider and vote on the Resolutions in this Notice of Meeting.

Time: 10.00am

Date: Friday 7 June 2013

Place: The Grace Hotel  
Corner of York & King Streets  
77 York Street  
Sydney NSW 2000 Australia

## Business of the Meeting

### 1. Appointment of the new Responsible Entity

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Fund:

*"That, upon the retirement of 360 Capital RE Limited as responsible entity of 360 Capital Industrial Fund in accordance with section 601FL(1) of the Corporations Act 2001 (Cth), 360 Capital Investment Management Limited be appointed as the new responsible entity in its place."*

### 2. Ratification of the placement of Units to institutional investors in April 2013

To consider and, if thought fit, to pass the following resolution as a special resolution of the Fund:

*"That the issue of 27,401,330 ordinary units in the 360 Capital Industrial Fund to institutional investors on 11 April 2013, as described in the Explanatory Memorandum accompanying this Notice of Meeting convening the Meeting, is ratified and approved for the purposes of ASX Listing Rule 7.4, ASIC Class Order [CO 05/26] and for all other purposes."*

### 3. Consolidation of Units on issue in the Fund and amendment to the Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution of the Fund:

*"That:*

- (a) the constitution of 360 Capital Industrial Fund is modified in accordance with the provisions of the "Supplemental Deed – 360 Capital Industrial Fund" tabled at the Meeting and signed by the Chairman for the purposes of identification;*
- (b) the responsible entity of 360 Capital Industrial Fund is authorised to execute the supplemental deed and lodge it with the Australian Securities and Investments Commission (ASIC);*
- (c) upon the lodgement of the supplemental deed with the Australian Securities and Investments Commission (ASIC), the responsible entity of 360 Capital Industrial Fund is authorised to consolidate the ordinary Units in 360 Capital Industrial Fund six business days after the date on which the supplemental deed is lodged with the Australian Securities and Investments Commission (or such other date as determined by the directors of the responsible entity of 360 Capital Industrial Fund) in the following manner:*
  - (i) every four ordinary Units will be consolidated into one ordinary Unit; and*
  - (ii) where the consolidation of 360 Capital Industrial Fund's capital results in a member having a fractional entitlement to an ordinary Unit, that fractional entitlement will be rounded up to the next whole number; and;*
- (d) the responsible entity of 360 Capital Industrial Fund is authorised to take all action necessary to give effect to this resolution."*

By order of the Board



**Tony Pitt**  
Managing Director  
360 Capital RE Limited  
as responsible entity of the 360 Capital Industrial Fund

Dated: 8 May 2013

# Notes about the Meeting and how to vote

THESE NOTES FORM PART OF THE NOTICE OF MEETING

## Changing the time and date of the Meeting

The Responsible Entity reserves the right to postpone or adjourn the Meeting to a later time or date. If the Responsible Entity makes such a determination, it will notify all Members by lodging an announcement on the ASX and by placing an announcement on the Fund's website at [www.360capital.com.au](http://www.360capital.com.au).

The Responsible Entity will endeavour to notify Members of any such postponement prior to the original date and time of the Meeting, however, the postponement of the Meeting will not be invalidated by the failure to do so. If the Meeting is adjourned for one month or more, the Responsible Entity will give new notice of the adjourned Meeting.

## Quorum

The quorum necessary for the Meeting is two Members, each being a Member present in person, by proxy, attorney, Personal Representative or body corporate and the quorum must be present at all times during the Meeting. If a quorum is not present within 30 minutes after the time for the start of the Meeting set out in the Notice of Meeting, the Meeting is adjourned in accordance with the Corporations Act. If no quorum is present at the resumed Meeting within 30 minutes after the time for the start of the resumed Meeting then the resumed Meeting is dissolved.

## Chairperson

Pursuant to section 252S of the Corporations Act, the Responsible Entity will appoint a person to chair the Meeting.

## Voting intentions of the Chairperson

The Chairperson intends to vote all undirected proxies appointing the chair as proxy in favour of the Resolutions on a poll (subject to the other provisions of the Notice of Meeting, including the voting exclusions).

## Resolutions

**Resolution 1** is an ordinary resolution and will be decided on a poll to be demanded by the Chairperson. Resolution 1 will be passed if more than 50% of the votes cast by or on behalf of Members entitled to vote on Resolution 1 are in favour of Resolution 1.

**Resolution 2** is a special resolution and will be decided on a poll. Resolution 2 will be passed if at least 75% of the votes cast by or on behalf of Members entitled to vote on Resolution 2 are in favour of Resolution 2 and if both of the following apply:

- (a) votes are only cast in respect of Units that are held by a Member:
  - (i) who did not acquire any Units issued under the institutional placement the subject of Resolution 2; or
  - (ii) who does not hold any Units for the benefit of another person who obtained beneficial ownership of any of the Units that were issued under the institutional placement the subject of Resolution 2; and
- (b) the value of the Units held by the Members who vote represents at least 25% of the total value of Units eligible to be voted.

**Resolution 3** is a special resolution and will be decided on a poll. Resolution 3 will be passed if at least 75% of the votes cast by or on behalf of Members entitled to vote on Resolution 3 are in favour of Resolution 3.

## Voting

Voting on the Resolutions will be decided on a poll. On a poll, every person present who is a Member or a proxy, attorney, Personal Representative or body corporate representative has one vote for each dollar of the value of the Member's total Units in the Fund held by the person, or in respect of which the person is appointed as proxy, attorney, Personal Representative or body corporate representative. A Member entitled to two or more votes does not have to exercise its votes in the same way and does not have to cast all its votes.

All Members appearing on the register at 10.00am 6 June 2013 are entitled to attend and vote at the Meeting, subject to the exclusions outlined in the Notice of Meeting. Accordingly, Unit transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

## Voting exclusion statement

### Resolution 1

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolution if they have an interest in the resolution other than as a member. However, a responsible entity and its associates are entitled to vote their interest on resolutions to remove the responsible entity and choose a new responsible entity if the managed investment scheme is listed.

Accordingly, 360 Capital RE Limited, 360 Capital Investment Management Limited and their respective associates will be entitled to vote in respect of any Units they hold in respect of Resolution 1.

### Resolution 2

ASX has granted the Responsible Entity, a waiver from ASX Listing Rule 14.11 to permit the Responsible Entity to count votes cast on Resolution 2 by Members who participated in the institutional placement the subject of Resolution 2 (Nominee Holders) to the extent only that those Members are acting solely in a fiduciary, nominee or custodial capacity on behalf of beneficiaries who did not participate in the issue of Units (Beneficiaries). The waiver is subject to the following conditions:

- (a) the Beneficiaries provide written confirmation to the Nominee Holders that they did not participate in the issue of Units the subject of Resolution 2, nor are they an associate of such a person who has participated in such an issue of Units;
- (b) the Beneficiaries direct the relevant Nominee Holder to vote for or against Resolution 2; and
- (c) the Nominee Holders do not exercise discretion in casting a vote on behalf of the Beneficiaries.

Insofar as Resolution 2 is an ordinary resolution of the Fund for the purposes of the ASX Listing Rules, the Responsible Entity will disregard any votes cast on Resolution 2 by a person who participated in the institutional placement the subject of Resolution 2 and any associate of that person.

However, the Responsible Entity need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Insofar as Resolution 2 is a special resolution of the Fund for the purposes of the Corporations Act as notionally modified by ASIC Class Order [CO 05/26], where both of the following apply:

- (a) votes must only be cast (and the Responsible Entity will only count votes cast) in respect of the Units that are held by a Member:
  - (i) who did not acquire any interest in the Units under the institutional placement the subject of Resolution 2; or
  - (ii) who does not hold any interest in Units for the benefit of another person who obtained beneficial ownership of any of the Units that were issued under the institutional placement the subject of Resolution 2; and
- (b) the value of the Units held by the Members who vote represents at least 25% of the total value of Units eligible to be voted.

Voting exclusions differ under the ASX Listing Rules and the Corporations Act. Please refer to the Explanatory Memorandum for further information.

### Resolution 3

The vote of any person excluded from voting on Resolution 3 by section 253E of the Corporations Act will be disregarded.

## Bodies corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of Members of the Fund. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on the Resolutions.

An original or certified copy of the representative's appointment should be delivered to the Responsible Entity and received no later than 10.00am on 5 June 2013 at one of the addresses set out below.

## Jointly held Units

If a Unit in the Fund is held jointly, and more than one Member votes in respect of that Unit, only the vote of the Member whose name appears first in the register of Members counts.

## NOTES ABOUT THE MEETING AND HOW TO VOTE

### CONTINUED

### Appointment of proxy

If you are entitled to vote at the Meeting you have a right to appoint a proxy to attend and vote at the Meeting on the Member's behalf and may use the Proxy Form enclosed with the Notice of Meeting. The notes on the Proxy Form explain how the form should be completed. The proxy does not need to be a Member of the Fund.

If you wish to appoint someone other than the Chairperson of the Meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you do not name a proxy, or your named proxy does not attend the Meeting, the Chairperson of the Meeting will be your proxy and vote on your behalf.

Your proxy has the same rights as you to speak at the Meeting and to vote to the extent you allow on the Proxy Form.

### Appointing a second proxy

If you are entitled to cast two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes (ignoring fractions).

### Voting directions to your proxy

You may direct your proxy on how to vote on a particular Resolution. If it does, your proxy does not have to vote, but if your proxy does vote, your proxy must vote as directed. If your proxy has two or more appointments that specify different ways to vote on the Resolution, your proxy must not vote on a show of hands. If your proxy is the Chairperson, the Chairperson must vote on a poll and must vote that way.

If you do not direct your proxy how to vote, your proxy will vote as it chooses. If you mark more than one box relating to a Resolution any vote by your proxy on that item may be invalid.

### Signing instructions

A Proxy Form must be signed by the Member or the Member's attorney. Instructions for signing are on the Proxy Form. If a proxy is signed by an attorney and you have not previously lodged the power of attorney for notation, please attach an original or a certified copy of the power of attorney to the Proxy Form when you return it.

### Appointment of proxy under the power of attorney

If a proxy is signed under a power of attorney on behalf of a Member, an original or a certified copy of the power of attorney must be lodged with the Proxy Form and received by the Responsible Entity no later than 10.00am on 5 June 2013 at one of the addresses set out below.

### Lodgement of proxies and other authorities

Proxy Forms and other authorities should be returned by **posting them in the reply paid envelope provided** or delivering them to one of the addresses below, or directly to the Responsible Entity.

#### By post

Boardroom (Victoria) Pty Limited  
GPO Box 3993  
Sydney NSW 2001

#### Online

[www.boardroomlimited.com.au/vote/](http://www.boardroomlimited.com.au/vote/)

#### By facsimile

(02) 9290 9655

#### By email

[investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au)

#### By hand

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000

**All Proxy Forms must be received by the Responsible Entity no later than 10.00am 5 June 2013. Documents received after that time will not be valid for the Meeting.**

# Explanatory Memorandum

## 1 Overview

### 1.1 Background

The 360 Capital Industrial Fund (formerly known as the Becton Industrial Fund) was established in August 2002 by Glenmont Properties Limited to acquire and hold a portfolio of industrial properties.

On 16 December 2010, the 360 Capital Property Group completed its acquisition of Becton Investment Management Limited, the Responsible Entity. Subsequently, the name of Becton Investment Management Limited was changed to 360 Capital RE Limited.

In order to provide Members with liquidity in the Fund's Units, the Fund was listed and admitted to the official list of ASX on 12 December 2012 following approval by Members on 8 November 2012.

In March and April 2013, in line with its repositioning and deleveraging strategy, the Fund raised \$63.7 million in new equity by way of a placement to institutional investors and an entitlement offer to eligible Members, with the proceeds used to reduce debt.

### 1.2 360 Capital corporate restructure

Following the acquisition of the Fund's responsible entity, 360 Capital undertook an internal corporate restructure.

As a result, it was determined that over time the management of all registered property funds would be undertaken by 360 Capital's designated responsible entity, 360 Capital Investment Management Limited. The restructure is being undertaken in order to rationalise and thereby improve the efficiency and effectiveness of 360 Capital's compliance, corporate governance processes and reduce other administration costs associated with the responsible entity role.

360 Capital RE Limited and 360 Capital Investment Management Limited are wholly owned by 360 Capital. They share the same directors, compliance processes, risk management procedures, administration, custody arrangements, access to financial resources and benefits, human and IT resources, investment management procedures, staff and philosophies.

The proposed change of the Responsible Entity is believed to be in Members' best interests as it is expected that there will be cost efficiencies in rationalising the role of responsible entity and that, otherwise, there will be no material impact on how the Fund is managed or administered as there will be no change in corporate governance, controls, financial and other resources, investment management staff, procedures or strategies.

### 1.3 Ratification of the April 2013 institutional placement

On 11 April 2013, the Fund completed a fully underwritten placement of 27,401,330 new Units to existing and new institutional investors.

All new Units under the institutional placement were issued at a price of \$0.45 per Unit, representing a discount of approximately 5.3% to the volume weighted average price of Units over the 30 days immediately prior to the announcement of the institutional placement of \$0.475 per Unit and a 6.5% discount to the 31 December 2012 pro forma NTA per Unit of \$0.481 per Unit.

The institutional placement raised approximately \$12.3 million (before equity raising costs) for the Fund which has been applied to reduce debt.

Units issued under the institutional placement ranked equally with existing Units from the date of allotment.

Units issued under the institutional placement were issued to sophisticated, professional and wholesale clients identified by Moelis Australia Advisory Pty Ltd ABN 72 142 008 446.

The institutional placement was part of a broader equity raising that included a fully underwritten entitlement offer at \$0.45 per Unit to eligible Members that the Fund undertook in March and April 2013 to raise a further \$51.4 million which has been applied to reduce debt.

A voting exclusion statement in respect of the resolution ratifying the institutional placement is set out in the Notice of Meeting.

All information as required under ASX Listing Rule 7.5 is set out in this section 1.3. Further details on the institutional placement can be found in the ASX market announcement made by the Fund on 26 March 2013.

### 1.4 Consolidation of Units on issue in the Fund and amendment to the Constitution

The Fund proposes that every four Units will be consolidated into one Unit.

A consolidation of the Units should not materially change or decrease a Member's percentage holding in the Fund or the underlying value of the Unitholding in the Fund on the date of consolidation other than as a result of rounding of fractional entitlements to a Unit.

There is no direct impact on the Fund's market capitalisation or net assets as the proposed consolidation does not involve a return of capital to Members.

Volatility in the Unit price should be reduced. A one cent movement in the Unit price currently represents a 2.0% Unit price movement. Post consolidation a one cent movement in the Unit price will represent a 0.5% Unit price movement.

## EXPLANATORY MEMORANDUM

### CONTINUED

Investor appeal should increase as a result of the increased pricing efficiency of the Units and because the proposed consolidation may also overcome mandate restrictions faced by certain institutional investors in relation to stocks with unit prices below \$1.00.

The current forecast distribution for FY2013 and FY2014 of 4.50cpu p.a. will become 18.00cpu p.a. post consolidation.

The proposed consolidation will better align the number of Units on issue with the Fund's A-REIT peers.

Under the proposed consolidation, where the consolidation would result in a Member having a fractional entitlement to a Unit, that fractional entitlement will be rounded up to the next whole number.

The Constitution does not expressly provide the Responsible Entity with the power to consolidate Units in the Fund. Accordingly, Resolution 3 proposes to amend the Constitution to provide for Units to be consolidated and to authorise the Responsible Entity to undertake the proposed consolidation.

### 1.5 What does the Responsible Entity recommend?

#### Resolution 1: Appointment of the new Responsible Entity

The Directors consider that the proposed change of Responsible Entity will be in the best interests of the Members of the Fund as:

- (a) the savings in compliance, corporate governance and administration costs as a result of the restructure will benefit Members from a financial perspective; and
- (b) there will be no material impact on how the Fund will be managed or administered as there will be no change in corporate governance, controls, financial and other resources, investment management staff, procedures or strategies.

Please refer to section 3 of this document for more details regarding the proposed change of Responsible Entity.

**The Responsible Entity recommends that Members vote in FAVOUR of Resolution 1.**

#### Resolution 2: Ratification of the April 2013 institutional placement

The Directors consider that the refreshment of the Fund's capacity to issue new Units under the ASX Listing Rules and ASIC Class Order [CO 05/26] will be in the best interests of the Members of the Fund as such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise.

The Fund continues to actively seek acquisition opportunities which complement its investment strategy and existing portfolio with the aim of increasing income returns and the potential for capital growth.

Please refer to section 4 of this document for more details regarding the proposed refreshment of the Fund's capacity to issue new Units.

**The Responsible Entity recommends that Members vote in FAVOUR of Resolution 2.**

#### Resolution 3: Consolidation of Units on issue in the Fund and amendment to the Constitution

The Directors consider that the consolidation of the number of Units on issue will be in the best interests of the Members of the Fund as:

- (a) it may result in improved market perception of the Fund, based on the expected reduction in volatility and overcoming mandate restrictions in relation to A-REITs with Unit prices below \$1.00; and
- (b) there may be cost savings.

Please refer to section 5 of this document for more details regarding the proposed consolidation of Units.

**The Responsible Entity recommends that Members vote in FAVOUR of Resolution 3.**

### 1.6 What do Members need to do?

Members should read this document in its entirety before voting. If you are in any doubt about what to do, you should consult your legal, investment, taxation and other professional adviser without delay.

Your vote is important. The Responsible Entity encourages Members to vote on the Resolutions by either attending the Meeting in person or by appointing a proxy to vote on their behalf.

All Proxy Forms are required to be returned to the registry provider, Boardroom (Victoria) Pty Limited by 10.00am 5 June 2013.

## 2 Current status of the Fund

Since obtaining management of the Fund in December 2010, 360 Capital has worked to reposition the Fund via active asset management, strategic acquisitions of high quality industrial assets and divestment of non-core assets, in order to unlock income and capital growth potential for Members as per the chart below:

	December 2010 360 Capital acquires Becton Investment Management Limited	Fund Stabilisation (18 months)	June 2012 Walker Transaction	March 2013	Achievements to date	Going forward
<b>Structure</b>	Unlisted	Unlisted	Unlisted	Listed (13 Dec 2012)	Liquidity	<ul style="list-style-type: none"> <li>• Focus on Australian Industrial assets with high tenant occupancy and WALE</li> <li>• Fixed rental review structure and active asset management to drive rental growth</li> <li>• Maintain strong distributions underpinned by earnings stability</li> </ul>
<b>Assets</b>	24	23	26	18	Rationalised and improved portfolio quality	
<b>WALE<sup>1</sup></b>	3.3 years	4.1 years	5.0 years	5.2 years <sup>2</sup>	Extended by 1.9 years	
<b>Occupancy<sup>3</sup></b>	91%	96%	98%	98%	Increased 7%	
<b>Debt</b>	Short term	3 year facility (\$166m)	3 year facility (\$260m)	3 year facility (\$210m)	Negotiated 3 year facility	
<b>Distribution<sup>4</sup></b>	Suspended	4.00 cents	4.00 cents	4.50 cents	Re-instated and increased distributions	
<p>Successfully re-leased expiring/vacant space of 161,000sqm or 49% of portfolio</p> <p>Acquired 4 assets of higher quality for \$80.4 million (Walker assets)</p> <p>Rationalised portfolio through disposing of 10 non-core assets for \$69.9 million</p>						

1 By income.

2 4.9 years at 31 December 2012 prior to Visy lease extension.

3 By area.

4 Per Unit p.a.

### 2.1 Property portfolio details

The Fund owns a diversified, core industrial portfolio with defensive fundamentals.

As at 31 December 2012 the Fund owned 18 industrial properties valued at \$299.9 million spread over designated industrial precincts across Australia.

The portfolio is 98% leased with a WALE of 5.2<sup>5</sup> years as at 31 December 2012.

No individual tenant represents more than 10.2% of total rental income for the Fund. The Fund also has an in-built rent review profile, with a 76% weighting (by income) to fixed rental reviews that average at a growth rate of 3.6% p.a.

### 2.2 Fund finance summary

Following the completion of the fully underwritten institutional placement and entitlement offer in May 2013 that raised \$63.7 million, the Fund's capital structure was simplified and finance costs reduced via a reduction in senior debt and full repayment of the unsecured notes.

The Fund's LVR was 57.4% as at 31 December 2012 and was reduced further to 47.7% after the completion institutional placement and entitlement offer. The Fund currently has a single LVR covenant with an LVR limit of 55% as at 31 May 2013.

### 2.3 Long-term strategy

The Fund's performance over the six months to 31 December 2012 was very solid with a refinancing, portfolio repositioning, ongoing asset management success and an ASX listing.

360 Capital Property Group's investment philosophy is to invest alongside Members and thereby support the Fund. Currently, 360 Capital, its Directors and the 360 Capital Diversified Property Fund own approximately 17.7% of Units and have a long-term target of owning between 15% and 20% of the Fund in line with its co-investment philosophy.

The Fund will continue to implement its investment strategy to purchase quality industrial investment assets located in core industrial areas and its active asset management strategy in order to provide its Members with regular and growing income in the form of quarterly distributions and potential capital growth.

Industrial market metrics remain positive and the Fund will continue to drive operational performance via active asset management and asset recycling. Besides identifying further non-core asset disposals, the Fund is targeting the acquisition of well-located, quality industrial facilities with strong lease covenants in the \$15.0 million to \$40.0 million price range. The Fund believes this market segment is attractive given it is generally too large for private investors and too small for the larger A-REITs, thus providing value to purchasers that also have the experience to manage the assets well.

5 Includes Visy lease extension announced 15 March 2013 which extended Fund WALE from 4.9 years as at 31 December 2012 to 5.2 years.

# EXPLANATORY MEMORANDUM

## CONTINUED

Portfolio and capital structure repositioning has now largely been completed. The Fund's focus is now on actively marketing the benefits of the Fund's security of income and higher relative distribution yield compared to its A-REIT peers to new investors, thereby reducing the Fund's cost of capital.

A lower cost of capital should allow the Fund to acquire additional higher quality assets that allow the Fund to grow in an accretive manner for Members, which, in turn, should further increase the attractiveness of the Fund to investors and result in further reductions in the cost of capital.

The Fund is also targeting a reduction in LVR to between 40.0% and 50.0% to reduce risk and meet A-REIT investor expectations.

The Fund has provided FY2013 and FY2014 operating earnings guidance of 4.90cpu and 4.75cpu. The Fund is currently paying distributions of 4.50cpu p.a. on a quarterly basis. The Fund's distribution guidance for the years ending 30 June 2013 and 30 June 2014 is 4.50cpu.

## 3 Change of Responsible Entity

### 3.1 What is proposed?

360 Capital RE Limited intends to retire as Responsible Entity and, upon such retirement, subject to Resolution 1 being passed by the required majority at the Meeting, 360 Capital Investment Management Limited has consented to act as the new Responsible Entity.

360 Capital RE Limited and 360 Capital Investment Management Limited are both wholly owned by 360 Capital. They share the same directors, compliance processes, risk management procedures, administration, custody arrangements, access to financial resources and benefits, human and IT resources, investment management procedures, staff and philosophies.

The same level of resources and experience will be available to, and employed by, 360 Capital Investment Management Limited in managing and administering the Fund and, as such, the change of the Responsible Entity will not, of itself, have any material impact on how the Fund is managed or administered.

### 3.2 Why is 360 Capital RE Limited retiring?

Following the acquisition of Becton Investment Management Limited, 360 Capital undertook an internal corporate restructure. As a result, it was determined that over time the management of all registered property funds would be undertaken by 360 Capital's designated responsible entity, 360 Capital Investment Management Limited.

The restructure is being undertaken in an attempt to rationalise and thereby improve the efficiency and effectiveness of 360 Capital's operational, compliance, corporate governance and other administration performance associated with the responsible entity role.

### 3.3 What does the change of Responsible Entity mean for Members?

The change of Responsible Entity will not have any material impact on how the Fund is managed or administered. In addition there will be no change to the existing fee and expense reimbursement regime in place for the Fund. No fees or charges will be paid out of the Fund (other than meeting costs and nominated fees paid to ASIC) in relation to the retirement of 360 Capital RE Limited and the appointment of 360 Capital Investment Management Limited in its place. The change of Responsible Entity should not give rise to any tax implications for Members. However you should seek your own tax advice based on your specific circumstances.

The table below sets out key issues for the Fund associated with a change of Responsible Entity:

Key issue	Effect of change of Responsible Entity
Corporate Governance	No change – the Directors and Company Secretary of 360 Capital RE Limited and 360 Capital Investment Management Limited are identical and will remain so following the proposed change of Responsible Entity.
Controls (e.g. risk management, custody, etc)	No change – the same compliance and risk management procedures will be in place before and after the proposed change of Responsible Entity. Further, the existing administration and custodial arrangements in respect of the Fund will remain in place.
Financial resources	No change – the Fund will have access to the same financial resources and benefits before and after the proposed change of Responsible Entity.
Investment management	No change – the same investment management procedures, staff, philosophies and strategies will be applied to all investments in the Fund before and after the proposed change of Responsible Entity.
Other resources	No change – human and IT resources are common across and shared between 360 Capital RE Limited and 360 Capital Investment Management Limited.

For these reasons, the Directors consider that Members will not be adversely affected by the change of Responsible Entity.

### 3.4 Why is the Responsible Entity recommending a change in Responsible Entity?

The Responsible Entity considers that the change of Responsible Entity will be in the best interests of the Members of the Fund as it is expected that there will be cost efficiencies in rationalising the role of responsible entity and that, otherwise, there will be no material impact on how the Fund is managed or administered as there will be no change in corporate governance, controls, financial and other resources, investment management staff, procedures or strategies.

Savings in compliance, corporate governance and administration costs as a result of the restructure will benefit Members from a financial perspective.

Cost savings are expected to be found in the areas of Unit registry, insurance and other service providers. This reflects the increased bargaining power from having a greater number of funds/properties under a designated responsible entity being quoted on by service providers.

While cost savings are expected to emerge, the total amount of cost savings for the Fund is not able to be quantified until all funds and trusts are transitioned to the single responsible entity and service provider contracts are reconsidered.

Members should consider the change of Responsible Entity as outlined in this document in deciding how to vote.

Importantly, the FY2013 and FY2014 operating earnings guidance of 4.90cpu and 4.75cpu (section 2.3) do not include any of these expected cost savings.

### 3.5 Process for change of Responsible Entity

If Resolution 1 is passed by the requisite majority, 360 Capital Investment Management Limited will be appointed as Responsible Entity. The appointment will take effect upon 360 Capital RE Limited lodging a notice with ASIC (which must be done within two business days after Resolution 1 is passed) and ASIC altering its records of the Fund's registration. As a consequence of 360 Capital Investment Management Limited becoming the Responsible Entity, the rights, obligations and liabilities of 360 Capital RE Limited in relation to the Fund become the rights, obligations and liabilities of 360 Capital Investment Management Limited as Responsible Entity.

### 3.6 Consents for change of Responsible Entity

As outlined below, change of control consents have been obtained from all relevant counterparties so that the Fund will not face material negative consequences from the appointment 360 Capital Investment Management Limited as Responsible Entity.

### 3.7 What happens if Resolution 1 is not approved?

If Resolution 1 is not approved, then 360 Capital RE Limited will remain as the Responsible Entity. 360 Capital RE Limited will continue to manage the Fund in the best interests of Members, and Members will not receive any costs savings as a result of the change in responsible entity.

### 3.8 What does the Responsible Entity recommend?

**The Responsible Entity recommends that Members vote in FAVOUR of Resolution 1.**

## 4 Ratification of the April 2013 institutional placement

### 4.1 What is proposed?

Members are requested to approve the institutional placement in accordance with ASX Listing Rule 7.4 and ASIC Class Order [CO 05/26] to refresh the Fund's placement capacity.

### 4.2 Why is this being proposed?

#### ASX Listing Rules

ASX Listing Rule 7.1 imposes a limit on the number of Units that an entity can issue or agree to issue in a 12 month period without Member approval. Generally, and subject to the exceptions set out in ASX Listing Rule 7.2, an entity may not, without Member approval, issue in any 12 month period more than 15% of the number of Units on issue 12 months before the date of the issue. The institutional placement the subject of Resolution 2 was made in accordance with the Fund's placement capacity under ASX Listing Rule 7.1.

ASX Listing Rule 7.4 provides that an issue of Units made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 at the time the issue was made and Members subsequently approve the issue. Accordingly, Members are requested to subsequently approve the institutional placement in accordance with ASX Listing Rule 7.4 to refresh the Fund's placement capacity.

#### ASIC Class Order [CO 05/26]

The approval of Members is also being sought for the purposes of ASIC Class Order [CO 05/26].

The price at which Units can be issued must normally be objectively verifiable by reference to the Constitution and not extraneous factors such as the exercise of the Responsible Entity's discretion. However, ASIC Class Order [CO 05/26] allows Units to be issued at a price determined by the Responsible Entity on certain conditions. One of these cases is a placement of units that are quoted on the ASX.

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ASIC Class Order [CO 05/26] accommodates placements either with or without the approval of a resolution of Members. A placement without Members' approval may be made on the following conditions:

- (a) the Units are not issued to:
  - (i) the Responsible Entity; or
  - (ii) an associate of the Responsible Entity except pursuant to two narrow exceptions relating to underwriting arrangements and acquisitions in a fiduciary capacity; and
- (b) the issue, together with any "related issue" in the previous year does not, immediately before the issue, comprise more than 15% of Units.

A "related issue" includes the institutional placement the subject of Resolution 2 and so the capacity of the Responsible Entity to issue the Units within the 15% limit prescribed by ASIC Class Order [CO 05/26] has been commensurably reduced by that issue. A "related issue" would not however include the institutional placement the subject of Resolution 2 if it is ratified by Members by way of a "placement resolution" that satisfies the requirements of ASIC Class Order [CO 05/26]. Member approval by way of a "placement resolution" would mean that the institutional placement the subject of Resolution 2 is not counted for the purposes of the 15% limit under ASIC Class Order [CO 05/26].

In summary under ASIC Class Order [CO 05/26], a "placement resolution":

- (a) is proposed as a special resolution;
- (b) votes may only be cast on the resolution in respect of Units (Eligible Units):
  - (i) that are held by a Member that did not acquire any of the Units issued; or
  - (ii) that are held by a Member for the benefit of another person who did not obtain beneficial ownership of the Units issued; and
- (c) the value of the Eligible Units held by the Members who vote represents at least 25% of the total value of Eligible Units.

If any of these conditions are not satisfied for this resolution, then that particular resolution will not constitute a "placement resolution" and therefore will be of no effect for the purposes of ASIC Class Order [CO 05/26].

### 4.3 What does refreshment mean for Members?

#### Advantages

If Members approve Resolution 2, any future equity raisings by the Fund would remain subject to the 15% limit set out in ASX Listing Rule 7.1 and ASIC Class Order [CO 05/26]. The effect of an approval of Resolution 2 would be that the Units issued under the institutional placement (the subject of Resolution 2) would not reduce the number of Units that could be issued by the Fund without Member approval (within the 15% limit) and will increase the base number of Units from which the 15% calculation is made.

Such a resolution provides funding flexibility in respect of potential acquisitions, investment opportunities, and general capital management initiatives that may arise. The Fund continues to actively seek acquisition opportunities which complement its investment strategy and existing portfolio.

If an opportunity to acquire an attractive asset or assets that will assist the Fund to meet its strategy arises, then an ASX announcement will be made if required.

#### Disadvantages/risks

The key potential disadvantage and risk associated with Resolution 2 is if the Fund issues further equity by way of a placement (which it would be able to do, should Members approve Resolution 2) the percentage holdings in the Fund of Members who do not participate in that future issue will be reduced.

The Directors are of the opinion that this potential disadvantage and risk are substantially outweighed by the potential advantages and benefits associated with the Fund refreshing its placement capacity, and accordingly considers that Resolution 2 is in the best interests of all Members. However, Members should consider their individual circumstances and make their own determination as to how to vote on Resolution 2.

### 4.4 Why is the Responsible Entity recommending refreshment of the Fund's placement capacity?

The Responsible Entity considers that the ratification of the issue of Units under the institutional placement the subject of Resolution 2 is in the best interests of Members as it provides enhanced funding flexibility under ASX Listing Rule 7.1 and ASIC Class Order [CO 05/26] to issue additional Units over the next 12 months, to allow the Fund to deliver its strategy of providing potential income and capital growth to Members.

## 4.5 Process for refreshment

If Resolution 2 is passed by the requisite majority, the Fund will make the appropriate disclosures to the ASX in order to allow the Fund to issue new equity up to 15% of the number of Units on issue.

## 4.6 What happens if Resolution 2 is not approved?

If Members do not approve Resolution 2, the Fund's ability to participate in any suitable investment opportunity in a timely manner, or at all, is likely to be constrained as:

- (a) the Fund will be restricted in raising further capital through a placement without Member approval until 11 April 2014 (being 12 months of the date of completion of the institutional placement); and
- (b) alternative funding sources may not be available at the time or at a competitive price.

Therefore the Fund may then not be able to meet its strategy of providing income and potential capital growth the Members.

## 4.7 What does the Responsible Entity recommend?

**The Responsible Entity recommends that Members vote in FAVOUR of Resolution 2.**

# 5 Consolidation of Units on issue in the Fund and amendment to the Constitution

## 5.1 What is proposed?

The Fund proposes to amend the Constitution and consolidate the number of Units on issue through the conversion of every four Units into one Unit in the Fund. If the proposed consolidation is approved, the consolidation is expected to take effect six business days after the date on which the supplemental deed is lodged with ASIC (or such other date as determined by the Directors). Where the consolidation of a Member's holding results in an entitlement to a fraction of a Unit, the fraction will be rounded up to the next whole number.

## 5.2 Why is this being proposed?

The Constitution does not presently provide the Responsible Entity with the power to consolidate Units in the Fund.

Following the completion of the institutional placement and entitlement offer in May 2013, the number of Units on issue for the Fund increased from 182.7 million Units to 324.2 million Units. The Directors are of the view that the Fund has a very large number of Units on issue for a fund of this type and as compared to its peers in the A-REIT sector. The purpose of the proposed consolidation is to provide the Fund with a more appropriate capital structure for a fund of its size and nature.

Following the proposed consolidation, the number of Units on issue would decrease to approximately 81.1 million, subject to adjustments for fractional entitlements to Units.

## 5.3 What are the proposed amendments to the Constitution?

Resolution 3 proposes amendments to the Constitution in order to provide the Responsible Entity with the power to consolidate Units in the Fund. Resolution 3 is required under section 601GC of the Corporations Act which permits the Constitution to be amended by special resolution of Members.

The amendments will:

- (a) remove the inability for Units to be divided;
- (b) provide that the Responsible Entity has the power to consolidate or divide Units; and
- (c) provide that the Responsible Entity may in its discretion round any amount up or down to the nearest whole cent, and any remaining fraction of a cent becomes property of the Fund.

## 5.4 What does amending the Constitution and consolidation of the number of Units on issue mean for Members?

A consolidation of the Units is expected to result in the following benefits for Members:

- (a) a consolidation of Units should not materially change or decrease a Member's percentage holding in the Fund or the underlying value of the Unitholding in the Fund on the date of consolidation other than as a result of rounding of fractional entitlements to a Unit. However, the price per Unit can be expected to increase to reflect the recorded number of Units on issue;
- (b) there is no direct impact on the Fund's market capitalisation or net assets as the proposed consolidation does not involve a return of capital to Members;
- (c) volatility in the Unit price should be reduced. A one cent movement in the Unit price currently represents a 2.0% Unit price movement. Post consolidation a one cent movement in the Unit price will represent a 0.5% Unit price movement;
- (d) investor appeal should increase as a result of the increased pricing efficiency of the Units and because the proposed consolidation may also overcome mandate restrictions faced by certain institutional investors covering stocks with unit prices below \$1.00; and
- (e) the proposed consolidation will better align the number of Units on issue with the Fund's peers in the A-REIT sector.

Once the proposed consolidation has been completed, Members will be mailed a revised holding statement confirming the number of consolidated Units that they hold. It is the responsibility of each Member to check the number of Units held prior to any sale or transaction.

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### 5.5 What are the tax implications?

A consolidation of Units will result in a consolidation of individual Unit cost bases at the same ratio. The Responsible Entity considers that the consolidation of Units will not give rise to any immediate tax outcomes and is unlikely to result in a capital gains tax event as it is not a disposal. However, you should seek your own tax advice based on your specific circumstances.

### 5.6 Why is the Responsible Entity recommending amending the Constitution and consolidating the number of Units on issue?

The Responsible Entity considers that the amendment of the Constitution and the consolidation of the number of Units on issue as described above is in the best interests of Members as the proposal will not have an adverse impact on Member's and in fact is expected to provide the benefits outlined above.

### 5.7 Process for amendment and consolidation

If Resolution 3 is passed by the requisite majority, the Responsible Entity will execute the "Supplemental Deed – 360 Capital Industrial Fund", lodge the supplemental deed with ASIC and the consolidation of the number of Units on issue as described above will occur. The amendment to the Constitution will take effect upon the Responsible Entity lodging a copy of the supplemental deed with ASIC. The consolidation is expected to take effect six business days after the date on which the supplemental deed is lodged with ASIC (or such other date as determined by the Directors). If there is any material change to this timing, an announcement will be made to the ASX.

### 5.8 What happens if Resolution 3 is not approved?

If Resolution 3 is not approved, then the Constitution will not be amended to provide for consolidation of the number of Units on issue and consolidation will not occur.

### 5.9 What does the Responsible Entity recommend?

**The Responsible Entity recommends that Members vote in FAVOUR of Resolution 3.**

## 6 Queries

If you have any questions regarding your investment in the Fund, the Resolutions, or what action you should take, please consult your legal, investment, taxation and other professional adviser or contact 360 Capital Investor Services on 1800 182 257 or email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au).

## 7 Glossary

<b>360 Capital or 360 Capital Property Group</b>	360 Capital Property Group consists of the stapled entity comprising 360 Capital Property Limited (ABN 46 146 484 433) and 360 Capital Investment Trust (ARSN 141 872 844) and each of their subsidiaries.
<b>360 Capital Investment Management Limited</b>	360 Capital Investment Management Limited (ABN 62 133 363 185, AFSL 340304), the proposed new Responsible Entity.
<b>360 Capital RE Limited</b>	360 Capital RE Limited (ABN 62 090 939 192, AFSL 223739), the current Responsible Entity.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>associate</b>	As defined in sections 10 and 11 of the Corporations Act.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market operated by it (as the context requires).
<b>Constitution</b>	The constitution of the Fund as amended from time to time.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>cpu</b>	Cents per Unit.
<b>Director</b>	A director of the Responsible Entity in office at the date of this document.
<b>Explanatory Memorandum</b>	The explanatory memorandum contained in this document.
<b>Fund</b>	360 Capital Industrial Fund (ARSN 099 680 252).
<b>ICR</b>	Interest coverage ratio.
<b>LVR</b>	As defined under the finance facility as interest being liabilities (excluding unsecured notes) divided by property values.
<b>Meeting</b>	The meeting of Members of the Fund to be held pursuant to the Notice of Meeting.
<b>Member</b>	A member of the Fund determined in accordance with the Corporations Act.
<b>NAB</b>	National Australia Bank Limited (ABN 12 004 044 937).
<b>NLA</b>	Net lettable area.
<b>Notice of Meeting</b>	This document, including the Notice of Meeting set out on page 1 of this document.
<b>NTA</b>	Net tangible assets.
<b>p.a.</b>	per annum.
<b>Personal Representative</b>	As defined in the Constitution.
<b>Portfolio</b>	The 20 investment properties currently owned by the Fund described in section 2 of this document.
<b>Proxy Form</b>	The form by which Members may vote on the Resolutions without attending the Meeting in person.
<b>Resolutions</b>	The Resolutions set out in the Notice of Meeting.
<b>Responsible Entity</b>	The responsible entity of the Fund (currently 360 Capital RE Limited).
<b>Unit</b>	An ordinary unit in the Fund.
<b>WALE</b>	Weighted average lease expiry.



**360 Capital Industrial Fund**  
**ARSN 099 680 252**

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## Disclaimer

This document has been prepared by 360 Capital RE Limited (ACN 090 939 192, AFSL 223739), Level 8, 56 Pitt Street, Sydney NSW 2000, as responsible entity of the 360 Capital Industrial Fund (ARSN 099 680 252) ("Responsible Entity"). The Responsible Entity, its associates, related entities and directors do not guarantee the performance of the Fund or the repayment of monies invested. The information contained in this document does not constitute financial product advice. While every care has been exercised in the preparation of this document and the information is believed to be correct, this document is provided for general information purposes only and does not have regard to the particular circumstances, financial situation or needs of any specific person who may read it and whom should seek their own professional advice. This document contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that imply risks and uncertainties. These forward looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Fund to vary materially from those expressed or implied in such forward looking statements. Past performance is not an indicator of future performance.